

FO 371/115093

**Trade Agreement between China
and Egypt
(1955)**

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FAR EASTERN DEPARTMENT

CHINA²

FC 11316/1.

FROM

B.B.C. Monitoring

Proposed Trade Agreement between Egypt and China.

Statement by Dr. Nusair on the visit of an official Chinese mission.

No.

Dated May 4

Received in
Registry— May 9

References to former relevant papers

MINUTES

E.R.D. Mc. 5
African Dept Rn 13KE.R. Taylor 11/5.
Rw. 11/5.

Library

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References to later relevant papers

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FO 371 / 115093

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30 MAY 1985

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China

B22 CHINESE TRADE MISSION EXPECTED IN EGYPT

(CARAB NEWS AGENCY, CAIRO) CAIRO: DR. MOHAMMED ABU NUSAIR, EGYPTIAN DEPUTY MINISTER FOR COMMERCE AND INDUSTRY, TOLD OUR CORRESPONDENT TODAY THAT AN OFFICIAL TRADE MISSION FROM THE CHINESE PEOPLE'S REPUBLIC WOULD SHORTLY ARRIVE IN CAIRO TO DISCUSS WITH EGYPTIAN OFFICIALS THE BASIS OF THE PROPOSED TRADE AGREEMENT BETWEEN THE TWO COUNTRIES. THE MINISTER, WHO WAS A MEMBER OF THE EGYPTIAN DELEGATION TO THE BANDUNG CONFERENCE, SAID THAT HE HAD HAD PRELIMINARY DISCUSSIONS WITH A NUMBER OF ASIAN DELEGATIONS AT CONFERENCE, INCLUDING PEKING REPRESENTATIVES, ON WAYS AND MEANS OF PROMOTING TRADE. DR. NUSAIR SAID THAT HIS TALKS WITH CHINESE OFFICIALS IN BANDUNG WERE NOT CONCERNED WITH THE QUESTION OF EGYPT'S RECOGNITION OF THE CHINESE PEOPLE'S REPUBLIC.

END BBC MON 2010 4:5 MAH

Mr. Nelson 4/5.
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FAR EASTERN DEPARTMENT

CHINA

FC1131612FROM B.B.C. Monitor
Report

bottom Agreement Between China and Egypt.

No.

Dated August 9

Received in
Registry— August 10This is the results of contacts at Bandung and of talks
conducted by Sheikh el-Baquni.

References to former relevant papers

MINUTES

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① Extract "The Times" of August 9.

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References to later relevant papers

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P: = CHINA BUYING EGYPTIAN COTTON =

FC11316/2

china
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(CAIRO RADIO) (CF. B26/8TH) THE COTTON AGREEMENT REACHED WITH PEOPLE'S CHINA INVOLVES THE EXPORT OF APPROXIMATELY EIGHT MILLION POUNDS OF EGYPTIAN COTTON. THIS RAPID DEVELOPMENT IN THE ECONOMIC RELATIONS BETWEEN EGYPT AND PEOPLE'S CHINA IS THE RESULT OF CONTACTS WHICH TOOK PLACE IN BANDOENG BETWEEN PREMIER AL-NASIR AND THE CHINESE PEOPLE CHOU EN-LAI AND OF THE TALKS CONDUCTED BY SHEIKH AL-BAQURI, MINISTER OF WAQFS, DURING HIS VISIT TO CHINA.

(MF) BBC. 1021 DB.

B11: = CHINA- EGYPT TRADE = 2

AN EGYPTIAN TRADE MISSIONLED BY MUHAMMAD ABU NUSAYR, MINISTER OF TRADE AND INDUSTRY, IS NOW IN CHINA. DR. ABD AL-MUN IM AL-QAYSUNI, MINISTER OF FINANCE AND ACTING MINISTER OF TRADE AND INDUSTRY, HAS ANNOUNCED THAT TWO REPRESENTATIVES OF THE CHINESE NATIONAL IMPORT AND EXPORT ORGANISATION ARRIVED IN EGYPT RECENTLY TO BUY THE EGYPTIAN COTTON WHICH CHINA IS IMPORTING.

(END) BBC MON. 1023 9/7 DB (KY)

9 Aug

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Minutes.

FC 11316/2A

THE TIMES

- 9 AUG 1955

Cutting dated 195

EGYPTIAN SALES TO
CHINA

FIRST MAJOR TRANSACTION

FROM OUR OWN CORRESPONDENT

CAIRO, AUG. 8

The Egyptian Government, which has had difficulty in disposing of this season's stocks of cotton, announced to-day the sale of 290,000 kantars to Communist China. The agreement, which is the first major commercial exchange between the two countries, was concluded in Cairo, but the method of payment is not revealed.

Dr. Abdel Moneim el Kaisouny, Egyptian Minister of Finance, said that 255,000 kantars would be of Ashmouni and the rest of Gaza 30. He said the Chinese were also buying "large quantities" of Egyptian cotton on the free market. An Egyptian trade mission is now visiting Peking, but as Egypt recognizes Nationalist China there are no diplomatic relations between the two countries.

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FAR EASTERN DEPARTMENT

CHINA

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Fc 11316/3

1355

FROM Mr. O'Neill,
Peking.

No. 800.

Dated August 23.

Received in
Registry— August 23.

Sino - Egyptian Trade Agreement
and Protocol

Chinese Press reports signature
on August 22. (Rptd. Cairo)

References

MINUTES

Library

(Print)

(How disposed of)

African Dept. R. 2418

→ E. R. 2418

con. Taylor
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A) N.C.N.A. of August 22.

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FC 11316/3F

FROM PEKING TO FOREIGN OFFICE

En Clair

FOREIGN OFFICE ANDWHITEHALL DISTRIBUTION

Mr. O'Neill

No. 800
August 23, 1955D. 9.45 a.m. August 23, 1955
R. 11.10 a.m. August 23, 1955Addressed to Foreign Office telegram No. 800 of
August 23.

Repeated for information to Cairo.

Chinese Press reports signature on August 22 of
Sino-Egyptian trade agreement and of a protocol
covering the first year of the agreement. No details
have been published.

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SINO-EGYPTIAN TRADE AGREEMENT SIGNED.

PEKING, August 22 - The People's Republic of China and the Republic of Egypt signed a trade agreement here this afternoon after 10 days friendly negotiations.

Signed at the same time was a protocol for the first fiscal year of the agreement.

The agreement was signed by Yeh Chi-chuang, Minister of Foreign Trade of China, and Mohamed Abou Nossier, head of the visiting Egyptian Government trade delegation and Minister of Commerce and Industry.

Present at the signing ceremony were the members of the visiting Egyptian Government trade delegation, Lei Jen-min, Vice-Minister of Foreign Trade, Chang Han-fu, Vice-Minister of Foreign Affairs, Chen Chia-kang, Assistant Minister of Foreign Affairs, and leading members of the various departments and companies affiliated to the Ministry of Foreign Trade.

Speaking at the ceremony, Yeh Chi-chuang said that the signing of the 2 documents demonstrated the sincere desire of the governments of the 2 countries to develop their economic and trade relations. It opened a new page in the history of economic and trade relations between 2 countries with an ancient civilisation. It was not only significant for the development of the economy of the 2 countries and in conformity with the common interest and wishes of the 2 peoples, but also helped to promote friendship between the Chinese and Egyptian people and benefitted the cause of peace in the Asian-African region, and the world as a whole.

"I am confident," Yeh Chi-chuang stated, "that the governments of our 2 countries will consistently and actively do everything within their power to carry out the agreement and protocol."

He continued that the negotiations had been conducted in the spirit of "Economic co-operation.....on the basis of mutual interest and respect for national sovereignty," as enunciated in the final communique of the Asian-African Conference, and in a friendly atmosphere. "This," he said, "was a demonstration of the increasing mutual understanding and friendly relations between the governments and peoples of China and Egypt."

Mohamed Abou Nossier, head of the Egyptian delegation, also spoke at the meeting. He described the occasion as "A memorable moment when the Egyptian-Chinese Trade Agreement is signed as a practical step to strengthen the relations between Egypt and China." He expressed thanks for the hospitality extended to the delegation since its arrival in China.

He added: "Our negotiations have been conducted in a very friendly atmosphere. The 2 sides closely co-operated with each other in achieving the common aim of securing mutual benefit."

During their short stay in China, he said, the Egyptian delegates had seen the tremendous efforts made by the Chinese people in developing their national economy and appreciated the new products of China. He expressed the hope that these products would have a wide market in Egypt.

In conclusion, he pointed out that it was not the provisions of a trade agreement, but sincerity in carrying out these provisions that mattered in strengthening trade relations. The Egyptian Government, he declared, would do its best in this respect.

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Tuesday, August 23, 1955.

VISA TRICKS USED TO DETAIN CHINESE STUDENTS IN U.S. (continued)

"My case became known to many other Chinese students", Tu Lien-yao said. "Though desiring to go home, they hesitated to apply for fear of persecution and trouble", he added.

When he was released from prison, Tu Lien-yao filed a suit against immigration service for its illegal persecution, but he was ordered to be deported for his "sympathy with" his own government but the United States authorities did not carry out the order on the pretext that there were no diplomatic relations between China and the United States and he was forced to stay on in the United States.

In the summer of 1953, two conflicting decisions were made by the highest authority of the immigration service in Washington and its Pittsburg office within 2 weeks. Washington revoked the order of deportation and ruled that Tu Lien-yao leave the country in 60 days. From the Pittsburg office he received a warning that if he should try to leave he would be subject to a fine of up to 5,000 U.S. dollars or 5 years imprisonment or both.

When Tu Lien-yao accused the Pittsburg immigration office of contradicting the Washington authorities, the Pittsburg office insisted that its order was valid, refused to return his bail of 2,000 U.S. dollars and ignored the Washington office's ruling.

Tu Lien-yao went to the United States in 1948. He received the degree of Doctor of Physics at Pennsylvania University in 1952. After several years of cat and mouse persecution he was finally allowed to leave the United States for China only in June this year.

BRITISH LABOUR M.P. SUPPORTS GOA MOVEMENT.

NEW DELHI. August 22 - Mr. Fenner Brockway, British Labour M.P. and Chairman of the Movement for Colonial Freedom, stated that the murders on August 15 in Goa put to shame all those nations which have acquiesced in the maintenance of foreign pockets in India, according to press reports.

In a letter to Indian High Commissioner in London, Madame Vijaya Lakshmi Pandit, Brockway said that the Satyagrahis had been shot down in cold blood in the exercise of their human right to move freely in the land of their birth. "The conscience of the world must be aroused and a mighty protest sustained until these vestiges of imperialism in India are swept away", he wrote.

Brockway added that the whole world owed much to India for its contribution to world peace and human progress.

ITALIAN BUSINESSMAN LEAVES CHINA.

PEKING. August 22 - The manager of the Italian Comte Company, Dino Gentili, left here for home via Moscow on August 20.

Dino Gentili arrived here on July 21, undertook trade negotiations and concluded business transactions with various Chinese trading corporations.

On his departure, Gentili expressed high optimism of the future prospects of Chinese-Italian trade.

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FAR EASTERN DEPARTMENT

CHINA 2

FC 11316/4

1955

FROM

Mr. O'Neill,
Peking.

No. 804

Dated August 24

Received in
Registry— August 24.Sino - Egyptian Trade

Gives details of two agreements
announced by the New China News
Agency.

References

FC 11316/3
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-1/2
-1/5
-1/6

MINUTES

Copied Mr Newbury (J.I.B.)
Miss Mocatta (B.T.)

con Taylor
25/9

afican Dept.
E. B. 29.8

(Print)

(How disposed of)

8c) Miss Mocatta, B.T.
8c) Mr. Newbury, J.I.B.
August 25

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completed)

(Index)

12-10-55
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N.C.N.A. has not yet given
further details of this agreement. It
is not clear whether it includes
the transaction previously arranged
in Cairo. The Chinese must be hard
up for cotton to barter steel which
they need themselves. It looks as
if their own cotton production
has failed. Alternatively, they may
intend to compete in the world
textile market on a greater scale
than hitherto.

P. Wilkinson
✓ 25/8.

I find this in every way a
remarkable agreement. Total Chinese
/ steel

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FO 371 / 115093

THE NATIONAL ARCHIVES

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steel production in 1954 was stated (by Chen Enlai) to be 2,170,000 tons. The target for 1957 is just over 4 million tons. It therefore seems reasonable to suppose that the production in 1955 will be about 2,500,000. It is remarkable that out of this figure the Chinese can spare 60,000 tons for export when they are so handicapped at home. It is doubly remarkable that they should spare it for Egyptian cotton when they grow a large amount of cotton at home. Egyptian cotton moreover is not ~~always~~ ^{always} the type of cotton which is best suited to the cheap cloth ~~which is~~ normally produced in the Far East.

I shall be interested to see the comments of JVB.

MS Walker
25/8

I agree with this minute. It is a v. interesting agreement.

Oil
25/8

We should be interested also in what JVB. have to say. I think we should then send our comments to Cairo & see if they can shed any more light.

OTL Shepherd
26/8.

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Minutes

(A) New China News Agency Extract, 24/8

ECON 2/9.

Mr Naylor.

B.U. with pps 13/9.

An interesting and well-concised paper has been circulated by J.I.B. and is attached. Mr. Naylor pointed out at the meeting that one point, however, was not entirely clear, the reference in Para. 3. to the $1\frac{1}{2}$ million worth of industrial equipment. The Chairman admitted that the reasoning for this was a little obscure, being based on an estimate only of the value of the steel and the passage in question is likely to be altered. Sub-Para (b) of Para 9 came under fire and is being deleted. It was decided it was open to question and added little to the argument.

With regard to the terms of the agreement as expressed at the meeting ~~also~~ took the line that, although the Chinese decision to export steel is surprising, the steel used for cotton gave the Egyptians an opportunity to export steel. Attention was drawn to the unemployment problem in the textile industry and the need for the limited product. It was further suggested by the Chairman that the Chinese steel industry was in better shape relatively.

I shall still be surprised if the Chinese meet their commitment in full and the advantage of a ~~few~~ Chinese Trade Office in Cairo politically should not be overlooked.

J.P. Miles
16/9

It appears that the surprise
/ expressed

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expressed in ^{Minutes} previous minute
was ~~quite~~ unjustified. JIB conclude
that ~~the~~ ^{the} ~~present~~ ^{present} has only minor
political motives, that in view of
China's desperate need for cotton it
is not at all peculiar that she
should offer steel in exchange, & that
even the purchase of Egyptian long-
staple cotton is nothing out of the
way. I must say that the JIB
paper is interesting & well argued.

I am not however entirely convinced,
particularly on the political point. I
doubt if any Chinese trade move is made
primarily for economic reasons. I also
think it is remarkable that China should
be exporting steel: I should have said
it was very difficult to argue that
Chinese steel production might have
out-run demand. I ~~do~~ ^{still} doubt whether
Egyptian cotton is wanted in China,
but I do not really know enough about
the difficulties of growing long-staple cotton
to maintain this objection.

The final version when received
should I think be sent to Beijing &
Cairo for comments - also add note to
Washington

MS Walker / African

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Minutes

African Sept

I agree generally with Mr. Walker.

2. While I suggest that it is going perhaps rather far to doubt if any Chinese trade move is made for primarily economic reasons I do think that the J.I.B. paper underrates the political benefits of the agreement. Egypt still recognises Chiang Kai-shek, and indeed has in recent years tended to co-operate with the Chinese delegation in the U.N. for the purposes of log-rolling. This agreement means that in effect they now recognise Peking. Thus the agreement marks the first stage towards bringing the Arab bloc over to recognition of Peking and as such is of considerable political importance.

3. As for the cotton question, I understand that Pakistan has a large amount available for export this year. It might be worth comparing Egyptian and Pakistan prices, and perhaps ascertaining how much the Chinese have bought from Pakistan. This might shed some light on the force of the political motives behind the agreement.

4. I also agree with Mr. Walker that it is difficult to believe that the Chinese really have steel ~~available~~ available for export. But if the experts are convinced that this could be so we can only accept it, though it is of course the case that in strictly planned economies odd surpluses can be thrown up at places where the plan gets out of gear.

5. I should like to submit the paper higher when it appears in its final form.

C.T.C.
(C.T. Crowe)
September 17, 1955.

African Sept 1955
Mr Ritchie

The paper in final form is now attached. You will see from the minutes of the meeting, also attached, that my sole contribution was on this point.

With regard to purchases from Pakistan, Board of Trade have been unable to date to supply any information

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Minutes

information beyond a vague statement
that back in 1953 Pakistan cotton
was scheduled to be exchanged against
Chinese coal. Mr Young is still
checking on this point.

Mr. Phil
27/9

I think we should now, as
suggested earlier, send this paper
with a covering letter, making such points
& reservations as we desire, to Peking
Cairo & Washington. I also expect
that the old Commonwealth countries
will also be interested - certainly
Australia - & we might ask CRO
if they would like copies accordingly.
If so we might arrange with J.B.
since CRO do not seem to be on the
E.L.C.

Will you pl. arrange & draft?

11/5/54
28/9

Attach a draft to Peking,
Cairo & Washington.

Mr. Phil
3/10

Now see FC 11/16/10

12/10

action taken with C.R.O. done
12/10

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FROM PEKING TO FOREIGN OFFICE

En clair

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION

Mr. O'Neill

No. 804

August 24, 1955.

D. 10.09 a.m. August 24, 1955.

R. 11.28 a.m. August 24, 1955.

Addressed to Foreign Office telegram No. 804 of August 24
Repeated for information to: - Cairo

FC 11316/3

My telegram No. 800. Sino-Egyptian Trade.

New China News Agency announces conclusion of agreements

- (a) between Egyptian Trade Delegation and Chinese Metals Import (sic) Company for supply by China of 60,000 tons of steel to Egypt;
- (b) between China National Import/Export Corporation and M.I.S.R. Cotton Export Company for supply by Egypt of 45,000 bales (1,500 tons) of cotton to China.

2. Both agreements are related to the protocol covering the first year of the Sino-Egyptian Trade Agreement.

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1316
NEW CHINA NEWS AGENCY

FC11316/4(A)

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Wednesday August 24 1955

EGYPT TO IMPORT CHINESE STEEL

PEKING August 23 - A contract for the importation by Egypt of 60,000 tons of Chinese rolled steel was signed here today after friendly negotiations between Chinese and Egyptian trade representatives.

The contract was concluded on the basis of the Sino-Egyptian Trade Agreement and the protocol for the first year of the agreement.

It was signed by Mohammed Abdel Monem Said, adviser to the Egyptian Government trade delegation, on behalf of Egyptian iron and steel import agents and authorities concerned; and Chou Hua-min, Manager of the China National Metals and Electrical Supplies Import Corporation on behalf of the Chinese side.

- - - - -

CHINA TO IMPORT EGYPTIAN COTTON

PEKING August 23 - The first contract for the purchase by China of 15 thousand tons of cotton from Egypt was signed here today. It was based on the Sino-Egyptian Trade Agreement and protocol on the first year of the agreement which were signed yesterday.

The contract was signed for the Chinese side by Ni Wei-ting, Deputy Manager of the China National Import and Export Corporation; and for the Egyptian side by Ahmed Nagiub, Chief of the Egyptian Cotton Committee, and Ismail El Shafel, Director of the Misr Cotton Exporting Society of Egypt.

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CHINESE FILMS AT EDINBURGH FESTIVAL

PEKING August 23 - 2 Chinese films will be shown at the 9th International Film Festival which opened in Edinburgh, Britain, on August 21, according to a London press report. They are "Liang Shan-po and Chu Ying-tai" and "Express Letter."

38 countries are taking part in the festival. This is the first time that Chinese films are being shown at the festival.

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NEHRU ON GOA

NEW DELHI August 23 - "Opposed as we are to colonialism everywhere, it is impossible for us to tolerate the continuance of colonial rule in a small part of India", stated Prime Minister Jawaharlal Nehru at a political conference at Sitapur on August 21.

Nehru continued: "It is not that we covet Goa. That little bit of territory makes no difference to this great country. But even a small enclave under foreign colonial rule does make a difference and it is a constant irritant both to the self-respect and national interest of India. It may be a source of danger more especially if a hostile and reactionary country like Portugal holds on to it."

The Indian Prime Minister also accused the Portuguese of building a police state in Goa and of punishing by long terms of imprisonment even the slightest expression of opinion against them.

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LEADING PAPERS WELCOME SUCCESS OF ATOMIC CONFERENCE.

PEKING. August 23 - The success of the International Conference on the Peaceful Uses of Atomic Energy which closed on August 20 was welcomed by leading Chinese papers in editorials today.

The Kwangming Daily expressed the hope of the Chinese people that international co-operation on the peaceful uses of atomic energy would be expanded so that the great ideal of putting the atomic energy in the service of mankind could be fully realised.

It wrote: "The International Conference on the Peaceful Uses of Atomic Energy was being held in the atmosphere of co-operation and mutual understanding established at the 4-Power Geneva Conference of the heads of governments. Any achievement made by the atomic energy conference will help advance the work of the sub-committee of the United Nations Disarmament Commission.

"On the other hand, It is our profound belief that so long as banning the use of atomic and hydrogen weapons has not been achieved, all the efforts of nations for the peaceful uses of atomic energy will be impeded.

"Over a long period of time", the Kwangming Daily noted, "the Soviet Union has advocated the prohibition of nuclear weapons. It is the first country in the world that used atomic energy in peaceful construction. Moreover, it sincerely wants the enormous dynamic power of atomic energy to serve humanity. At the International Conference on the Peaceful Uses of Atomic Energy, the Soviet Union has unconditionally made public the information it has accumulated of a scientific and technical nature and its experience. The Soviet delegation supplied the conference with 102 reports on the application of atomic energy in various fields of work. These aroused great interest among the delegations to the conference.

"The Chinese people fully realise that in order to put the tremendous potential power of the atomic energy in the service of mankind, it is imperative that the threat of atomic war be eliminated.

"It is necessary to point out that the United States talk about atomic war and its endless expansion of atomic military bases are incompatible with the spirit of the 4-Power Geneva Conference of the heads of governments and will not advance the prospects of using atomic energy for peaceful purposes".

In conclusion, the Kwangming Daily pointed out that the exchange of scientific and technical experience on atomic energy would bring about the growth of friendly relations among nations, help ease international tension and favour the cause of peace.

The Tientsin Ta Kung Pao wrote that the conference "opened the road for sincere co-operation among nations on the peaceful uses of atomic energy. The Chinese people warmly welcome the achievements made by the conference. It should be pointed out, however, that the conference's discrimination against the People's Republic of China and the German Democratic Republic was unreasonable. This abnormal state of affairs should not be repeated in future conferences of a similar nature.

"While welcoming the success of the conference, the general public cannot forget the fact that only when the danger of the use of atomic energy in war and destruction is eliminated can the aim of making full use of atomic energy for the welfare of mankind be achieved. To consolidate and develop the success of the conference, therefore, the people of all countries have all the more the reason to demand the prohibition of atomic and hydrogen weapons".

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F
FAR EASTERN DEPARTMENT

CHINA ~~JAPAN~~

F C 113/6/5

FROM Mr. O'Neill,
Peking.

No. 809.

Dated August 26
Received in Registry— August 26

Sino - Egyptian Trade Talks
Gives further details published
in a communique and a People's
Daily editorial. (Rptd. Cairo.)

References

FC 11316/4

MINUTES

which Mr. Jeffes (F.I.B.)
Miss Moratta (BofT)

The most striking feature of the agreement
remains the fact that China is to export 50,000
tons of rolled steel to Egypt. There is now
added a hint that machinery and textile and
paper making equipment will also be exported
at some future date.

2. It looks as though the exchange of trade
representatives may be the first step towards
diplomatic recognition.

3. Beyond this the bare structure of the agreement
is that it will run for three years; total value
of trade during the first year will be £20 million.
Each country will treat the other as most favoured
nation.

(Action
completed)

(Index)

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Mr Sutherland JMS 2/9
40429 African Dept 31/10.
E.R.D. H.W. 2/11.

con. Taylor
30/8.

/On 6/11

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On other papers it is revealed that the Chinese would if necessary have been willing to supply 154,000 (metric) tons of mild steel, in various forms, mostly as bars, presumably for reinforcing concrete. This is a remarkably large figure and especially so when it appears that the only commodity to be taken by the Chinese in exchange is cotton. There must I think be a large element of politics in the reasons which led the Chinese to sign this agreement.

Mr Walker
30/8

Yes, indeed. £20 million in steel is also pretty large for China/Egypt trade. It will be very interesting to see how it works out. Peking ~~was~~ will not be able to learn much, but we might ask Cairo to keep an eye on it.

C.T.C.
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FROM PEKING TO FOREIGN OFFICE

En Clair

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION

Mr. O'Neill

No. 809
August 26, 1955D. 9.55 a.m. August 26, 1955
R. 11.42 a.m. August 26, 1955

FJ 11316/4

Addressed to Foreign Office telegram No. 809 of August 26.
Repeated for information to Cairo.

My telegram No. 804. Sino-Egyptian Talks.

A communiqué now published on the Sino-Egyptian talks gives some further details.

- (a) The agreement will run for three years.
- (b) Each party will give the other most favoured nation treatment.
- (c) Each party will establish a trade representative's office in the other's country.
- (d) The total value of trade of the first year will be 20 million pounds sterling.

2. An editorial in the People's Daily of August 26 says that, in addition to its traditional exports to Egypt, China may supply industrial equipment such as machinery and complete textile and paper making installations. These industrial supplies, which imperialists have not wished to supply, will strengthen Egypt's economic independence. Egypt will benefit greatly by finding a Chinese market for its cotton since the International Cotton Market has been depressed by United States dumping.

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FAR EASTERN DEPARTMENT

CHINA

FC 11316/6.

1955

FROM Sir Humphrey
Leverhulme
Baro.

No. 1127

Dated August 26

Received in
Registry— August 27.

Sino Egyptian Trade Talks.
Announces signature of agreement and
gives further details.

References

FC 11316/5.

MINUTES

Chief Mr Jeffes (J.I.B.)
Miss Moratta (B.I.T.)

See minutes on / 5.

E.S.W.
30/8

(Print)

(How disposed of)

8-2) Mr. Jeffes J.I.B.

8-2) Mrs. Moratta B.I.T.

✓ Aug 29

8-2) Mr. Morley by

✓ Sept 2

① Extract "Daily Telegraph" of August 26

② N.C.N.A. Extract of August 26

③ N.C.N.A. Extract of August 29

E.S.W.
5/9.

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FC11316/6

FROM CAIRO TO FOREIGN OFFICE

En Clair

FOREIGN OFFICE AND WHITEHALL
DISTRIBUTIONSir H. Trevelyan
No. 1127
August 26, 1955D. 3.49 p.m. August 26, 1955
R. 5.19 p.m. August 26, 1955Addressed Foreign Office telegram No. 1127 August 26
Repeated for information Peking.

Peking telegram No. 808 [sic? 809].

Assistant Under-secretary at Egyptian Finance Ministry announced on August 25 signature in Peking on August 22 of commercial agreement between Egypt and Communist China covering three year period. During first year the value of trade between the two countries would be £20m. The agreement stipulates that the two contracting parties should treat each other on Most Favoured Nation basis.

2. Under the agreement Egypt will have offices for commercial representation in China, which will have similar facilities in Egypt. Speaker described the agreement as another step in strengthening relations of friendship between the two countries and for achieving economic cooperation in accordance with resolutions of the Bandung Conference.

3. Chairman of Egyptian Cotton Commission and members of Egyptian Economic Mission, now in Peking, had made arrangements whereby China would buy further quantities of cotton amounting to 45,000 bales (about 340,000 canters) value £5 million in addition to transaction concluded in Cairo recently.

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Minutes.

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29 AUG

DAILY TELEGRAPH

P/W F

Cutting dated **26 AUG 1955**, 195

EGYPT-CHINA TRADE

Egypt and China have signed a three-year trade pact providing for a volume of trade valued at £20,000,000 in the first year, the New China News agency reported yesterday. The agreement also provides for most favoured nation treatment and the establishment of commercial representation in both countries.
—Reuter.

NOTHING TO BE WRITTEN IN THIS MARGIN.

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NEW CHINA NEWS AGENCY.

Friday, August 26, 1955.

PEKING PRESS REVIEW. (continued)

The press statement of K.M. Panikkar, Chairman of the National Executive Committee of the India-China Friendship Association, on the recent executive meeting that decided to strengthen the work of promoting Sino-Indian friendship is quoted in the press.

Other news in the press includes the proposal by 80 Brazilian members of Parliament for establishing diplomatic and trade relations with China and the Soviet Union; the decision of the Czechoslovak Government to reduce its armed forces by 34,000 men before the end of this year; and the 2nd World Congress for the Deaf which opened recently in Yugoslavia.

PORTUGUESE THREATEN TO BOMB VILLAGE

NEW DELHI August 25 - The Portuguese occupationists in Goa have threatened to bomb the village of Sakoi Verem in Ponda Taluka, suspecting it to be a stronghold of the nationalist movement, according to the United Press of India.

The inhabitants have been ordered to quit the village within 4 days from yesterday. Over 300 persons, including old and infirm women, have been arrested in this village since August 15.

120 Goans in Margao, Bicholem, Panjim, Dongri and Mardol were arrested between August 15 and 19, according to Goa National Congress sources.

Portuguese suppression, however, was meeting with stiffer resistance from the Goans.

The fighters for freedom have burnt down hutments for billeting Portuguese troops. A movement to refuse to pay taxes in Goa was being launched.

CHINA-UNITED STATES TALKS IN GENEVA: 11TH MEETING

GENEVA August 25 - The 11th session of the China-American ambassadorial talks was held here today in the Palais Des Nations at 10 a.m. (local time) and adjourned at 12.5 p.m. till August 27 at 10 a.m.

During today's meeting both ambassadors continued discussion on agenda item 1 - the returning home of both sides civilians to their respective countries.

FC 11316/6(B)

COMMUNIQUE ON SINO-EGYPTIAN TRADE TALKS ISSUED

PEKING August 26 - A communique was issued today on trade negotiations between the People's Republic of China and the Republic of Egypt. The text of the communique follows:

In accordance with the desire of the Government of the People's Republic of China and the Government of the Republic of Egypt to promote the friendship between the peoples of the 2 countries, the representative of both Governments signed on August 22, 1955 at Peking a 3-year trade agreement together with a protocol to the trade agreement for the first agreement year subject to the approval of both Governments.

(continued)

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COMMUNIQUE ON SINO-EGYPTIAN TRADE TALKS ISSUED (continued)

The agreement expresses the desire of the 2 Governments to reach a balance of trade. It provides for the most favoured nation treatment and the establishment of an office of commercial representative of the Government in each others country. The volume of trade for the first agreement year is arranged at a total value of pounds sterling 20 million.

The negotiations were conducted in an atmosphere of goodwill and cordiality, and the agreements reached mark a further step in the development of trade and friendly relations between China and Egypt, thus implementing the resolutions regarding economic co-operation adopted at the Asian-African Conference.

FRENCH MASSACRE IN NORTH AFRICA

PEKING August 25 - The French Government announced yesterday an order to call up 60,000 reservists for North Africa to suppress the local people, according to press reports from Paris. On the same day, Deputy Minister of the Interior Abel Thomas announced that the French Government was to send 6 fresh battalions to Algeria immediately.

The French colonialists, with troops made up of legionnaires, marines and paratroops, continued their mass attack in Central Morocco yesterday, according to a Casablanca report. The French forces pressed into the Atlas Mountain in search of the Moroccan tribesmen supporting the former Sultan, Sidi Mohammed Ben Youssef. Many people were ruthlessly killed during the search.

The Paris paper, Le Figaro, reported that the French forces killed or wounded 200 inhabitants in Kenifra.

The North African people are continuing to put up fierce resistance in Eastern Algeria and Morocco.

RHEE CLIQUE CONTINUES PROVOCATIONS

PEKING August 25 - Provocative activities organised by the Syngman Rhee clique against the Neutral Nations Supervisory Commission have continued since they were first engineered on August 5, states a report from Seoul.

Syngman Rhee's secret agents coerced students in Seoul to stage a demonstration yesterday, shouting for the withdrawal of the N.N.S.C. from South Korea. At the same time, small groups of gangsters continued their demonstrations in the ports of Inchon, Pusan and Kunsan.

The Neutral Nations inspection teams stationed in the South Korean ports have been confined to their living quarters with their work virtually paralysed. The United States troops have refused to take any steps to ensure the work of the N.N.S.C.

Support for Syngman Rhee's activities against the N.N.S.C. continues to come from the other side of the Pacific Ocean. The New York Times stated in its August 20 editorial that Rhee was right in appealing for "the dissolution of the so-called 'truce commission'". This mouthpiece of the United States ruling clique even declared that "the truce mechanism has failed. It is the responsibility of the United Nations to devise another mechanism."

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NEW CHINA NEWS AGENCY.

Monday, August 29, 1955.

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"PEOPLE'S DAILY" ON SINO-EGYPTIAN AGREEMENT.

PEKING. August 26 - The Sino-Egyptian Trade Agreement, signed on August 22, marked a significant development in friendly co-operation between the two countries, declared the People's Daily editorially today. Extracts from the editorial follow:

China and Egypt are countries having rich natural resources. They both want to increase trade and develop their independent economy. In the past few years, the people of the two countries have made considerable efforts to promote their trade and friendly relations in order to eliminate their economic backwardness and develop an independent economy.

The Government trade delegation of the Republic of Egypt led by the Minister of Commerce and Industry, Mohammed Abou Nosseir has now come to China and a formal trade agreement has been signed between China and Egypt. This is a big stride forward in the efforts made by the peoples in the past few years. This made it possible for such efforts to progress more smoothly on a stable basis. The Chinese people warmly acclaim this.

Historically, the Chinese and Egyptian people had active relations. But aggression, oppression and control by foreign colonialism, obstructed the friendly contacts between the two peoples. The Bandung Conference gave China and Egypt the opportunity to increase their contacts in various fields and strengthen their mutual understanding and friendship.

The Sino-Egyptian Trade Agreement is imbued with the spirit of equality, mutual benefit and independence. It is suitable to the specific economic conditions of the two countries. The list of goods annexed to the trade agreement provides that the commodities to be supplied to Egypt by China include, in addition to traditional exports many industrial products, machinery and complete sets of equipment for textile and paper mills in exchange for Egyptian cotton and other goods. On this basis of mutual benefit, China imports the staple product of Egypt - cotton. At the same time, China supplies Egypt with needed industrial products and industrial equipment which the imperialists have been reluctant to supply. This is designed to advance the industrial construction of Egypt and its economic independence.

This spirit of mutual benefit and co-operation is particularly outstanding as regards Egyptian cotton. Egypt is a world-famous cotton producing country. Because the United States has been dumping its "surplus" cotton on the world market and depressing cotton prices, the market for Egyptian cotton has been greatly affected, causing unwarranted hardship to the Egyptian people.

China is importing Egyptian cotton to meet its own requirements, in the interests of improving the life of the Chinese people. At the same time, this provides the Egyptian people with a market for the fruit of their labour - cotton - so that cotton cannot be used by the imperialists to exploit Egypt.

Recently, when China and Egypt signed a contract for the purchase of Egyptian cotton by China, the Egyptian paper Al Goumhouria wrote that Egyptian cotton purchases were used in the past by the imperial states for blackmail and political pressure and that now Egypt wanted to put an end to this state of affairs. This reflects the actual situation.

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"PEOPLE'S DAILY" ON SINO-EGYPTIAN AGREEMENT. (continued)

The Sino-Egyptian Trade Agreement states that both governments agree to set up offices of their commercial representatives and holding goods exhibitions in each other's countries. These measures adopted by the two Governments are of great significance to the promotion of future trade between the two countries. The protocol for the first agreement year notes the intention of both countries to achieve a balance of trade. The protocol provides for a total value of £20 million as the volume of Sino-Egyptian trade for the first agreement year. This marks a great step forward from their previous volume of trade.

Immediately following the signing, the China National Import and Export Corporation and the Egyptian Cotton Committee and the Misr Cotton Exporting Society of Egypt concluded a contract under which China will import 45,000 bales of cotton from Egypt. The China National Metals and Electrical Supplies Import Corporation and with the representative of Egyptian iron and steel import agents concluded a contract for the importation by Egypt of 60,000 tons of Chinese rolled steel. This shows the sound basis of the trade agreement and protocol between China and Egypt. We are convinced that given the joint efforts of both parties, the prospects for Sino-Egyptian trade are splendid.

The trade agreement with Egypt is the first signed by China with a country in Africa. It shows the real possibility of strengthening mutual confidence and friendly co-operation between the Asian and African countries. It shows that the sincere wishes to broaden the peace area are quite attainable. Premier Chou En-lai pointed out in his report on the Asian-African Conference that "the Asian and African countries are now able to start mutual help, and there is not the slightest doubt that such mutual help has great prospects of development". Basing themselves on the view, the Chinese people have always attached importance to the promotion of mutual contact and economic and cultural relations between the Asian and African countries. Following the Asian-African Conference, China's co-operation with these countries has been greatly enhanced. We are prepared to make further efforts to develop such co-operative relations and to broaden the peace area. This is beneficial to the consolidation of world peace.

The Chinese and the Egyptian peoples have a glorious history of their own. Both have waged heroic struggles to uphold their own national sovereignty and independence against foreign aggressive forces. The Chinese people greatly treasure the friendship, co-operation and economic and cultural relations now established with the Egyptian people. It is our sincere hope that, on the present basis, the friendly relations between China and Egypt will be developed and consolidated.

PREPARATIONS FOR INDONESIAN ELECTIONS COMPLETE.

DJAKARTA. August 26 - Indonesian Home Affairs Minister, Sunarjo, declared that preparations for the holding of general elections had been completed. Every one should be alert against any attempts to delay the elections, he said, according to the paper Duta Masiarkat yesterday.

Any delay would not only make the domestic political situation unstable but would bring financial losses to the state, Sunarjo said. He disclosed that the Indonesian Government had already allocated over 600 million rupiahs for election expenses.

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FAR EASTERN DEPARTMENT

FC 11316/7.**1955**

CHINA

FROM *British Embassy,
Cairo.*No. *C.S. 123/18/11/55.*Dated *September 12th.*Received in
Registry— *September 15th.**Sino-Egyptian Trade Agreement*

Dr Abou Nousseir, on his return from China reported that China was now a large market for Egyptian cotton and other Egyptian products. Also that a Chinese commercial exhibition would be staged in Cairo in 1956.

References to former relevant papers

-/6

MINUTES

*Why Mr Tiffes (S.I.B.)
Miss Moratta (B of T.)*

*E. B. M. 27.9
African Dept.
✓ 15/9*

*W. Taylor
15/9*

W. D. M. 16/9.

M. W. 19/9

W. D. 19/9

(A) *U.S. Summary. Tokyo Comm'd.*

*W. Taylor
21/9.*

*Minutes on this subject
are to found on other pps.*

W. D. 21/9

(Action
completed)

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*APM
8/2/57*

*W. D.
19/2/57*

References to later relevant papers

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C.S. 23/18/4/55.

To: African Dept.,
Foreign Office,
LONDON, S.W.1.



WITH THE COMPLIMENTS

OF

THE MINISTER (COMMERCIAL).

BRITISH EMBASSY,
CAIRO.

September 12, 1955.

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O.T. 219.
C.S.123/18/A/55.

BRITISH EMBASSY,
CAIRO.

September 10, 1955.

Sir,

With reference to Cairo telegram No.1127 of August 26 about the commercial agreement signed between Egypt and China I have to report that Dr. Abou Nousseir, the Minister of Commerce who led the Egyptian Mission to China, returned to Egypt by air on the 2nd of September.

2. He stated that China was not a large market for surplus Egyptian cotton and other Egyptian products. He confirmed that it had been agreed to open commercial offices in both countries for the purpose of supervising and encouraging trade. He said that a Chinese Mission would visit Egypt shortly in order to take stock of the possibilities of importing further Egyptian products and that a Chinese commercial exhibition would take place in Cairo in January 1956.

3. The Minister of Commerce added that the value of cotton sold by Egypt to China amounted to about £.10 million which would be paid in sterling before the delivery of the cotton. He said that the cotton which would be delivered immediately consisted of 45,000 bales, of which 50% was Ashmuni, 30% Giza 30 and 17% Karnak.

4. I am sending a copy of this despatch to the African Department of the Foreign Office and to the Commercial Department at Her Majesty's Embassy, Peking.

I am, Sir,
Your obedient Servant,

W. Godfrey

(W. Godfrey)
H.M. MINISTER (COMMERCIAL)

Assistant Secretary,
Commercial Relations and Exports Department,
Board of Trade,
LONDON, S.W.1.

LMB/LMB.

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Minutes.

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B. Economic:

1. Communist China and Egypt Sign Trade Agreement: (UNCLASSIFIED) A trade agreement was signed on 22 Aug between Communist China and Egypt (INTSUM 4480). A protocol covering the first year of the three-year agreement was signed at the same time. On 26 Aug, the New China News Agency reported that the total value of goods to be exchanged under the one-year agreement was 20 million pounds sterling (\$56 million). The first two contracts stipulated: 1) Communist China will purchase 15,000 tons of cotton from Egypt; and 2) Egypt will purchase 60,000 tons of rolled steel from Communist China.

1.1 Comment: (CONFIDENTIAL) This is the first instance noted in which the Chinese Communists have made a specific commitment for export of a substantial quantity of rolled-steel products. Usually it is Communist China who imports large quantities of steel products from European Communist Bloc nations with which Communist China has trade agreements. The proposed export of steel to Egypt probably is motivated by political consideration.

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*(No-19)**⊙ Dewyer*

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THE NATIONAL ARCHIVES

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FAR EASTERN DEPARTMENT

F *CH 316/8***1955**CHINA *2*FROM *Extract E.I.G.*
Minutes*Sino - Egyptian Trade Agreement**Reasons for Sino - Egyptian Trade Agreement, put forward.*No. *-*Dated *15 - 9 - 55.*Received in
Registry— *29 - 9 - 55.*

References to former relevant papers

MINUTES

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References to later relevant papers

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SECRET

THE CHAIRMAN said that the Treasury had maintained their attitude of unconcern for nearly ten years. A decision on the desirability of approaching the Soviet representatives informally at Geneva must rest with the Foreign Office, but he felt that it might yield some results. MR. HIBBERT emphasised that any approach would require extremely careful briefing; he doubted whether it would be practicable. The Foreign Office might, however, look at the question again after the tripartite discussions on the Geneva briefs.

THE GROUP AGREED:

- (i) that J.I.B. should report on the results of their further exchanges with C.I.A. on estimates of Soviet annual gold production;
- (ii) that the Treasury should be invited to explain more fully the reasons for their lack of concern over the size of Soviet gold output and stocks;
- (iii) that the Foreign Office should be asked to consider again the possibility of an informal approach to the Soviet delegation at Geneva in October.

Item 6. Soviet Agriculture

MR. HIBBERT said that the briefing of the British agricultural delegation to the U.S.S.R. would take place next Tuesday. If any departments had points for the delegation they should therefore inform the Foreign Office before Tuesday.

THE GROUP TOOK NOTE of Mr. Hibbert's statement.

Item 8. Retail Price Movements and Living Costs in the Soviet Union

MISS BIEBER said that the meeting between representatives from Foreign Office Research Department, I.R.D., J.I.B. and the Central Statistical Office had occurred on 31st October. A report of this meeting and of a subsequent meeting to be held shortly would be sent to the Secretary of the E.I.G.

THE GROUP TOOK NOTE of Miss Bieber's statement.

The minutes were then agreed.

2. SINO-EGYPTIAN TRADE AGREEMENT

MISS STUART said that the amount of steel which China was to export to Egypt was more than had been exported by the Soviet bloc to Western Europe. MR. RITCHIE added that the ability of the Chinese to spare steel on this scale was surprising; possibly the agreement reflected the Communists' desire to gain a footing in Egypt.

MR. FORD recalled that during the summer of 1952 Shanghai cotton mills had ceased work for six weeks for lack of cotton although 1952 was a peak year for Chinese cotton production. Since then production had fallen while the population had risen considerably, so that the gap between

Extract

EIG Minute 9/55
of 24/11/55

FC 11316/8

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home production and requirements must now be much greater. Moreover, if the official claims that the peasants' purchasing power was rising were true, the Government would have to provide them with some extra consumption goods such as cotton textiles. The paper was therefore right in concluding that China's demand for cotton was probably the main reason for the agreement.

MR. NEWBURY agreed. He made the further point that China's steel consuming industries, e.g. machine-building, were still badly organised, widely dispersed and only partially nationalised, i.e. not under close Government control. It was therefore probable that China was short of the more complex types of steel but had a surplus of the simpler types, some of which could be exported.

MR. NAYLOR thought that the statistical argument at the end of paragraph 3 of the paper was somewhat obscure. THE GROUP AGREED that clarification was needed.

MR. BURR said that the second clause of paragraph 9(b) was far from clear and did not add to the force of the argument. MR. FORD agreed. He reminded the Group that in a speech last February Mme. Sun Yat Sen had stressed Communist China's ability to help South-East Asia with industrial exports. THE GROUP AGREED that the clause under discussion should be deleted.

THE GROUP THEN APPROVED THE PAPER subject to the clarification of the last sentence of paragraph 3 and the deletion of the last clause of paragraph 9(b).

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E.I.G. MINUTES/9/55ECONOMIC INTELLIGENCE GROUP

Minutes of a Meeting held at 3 p.m. on 15th September, 1955, in Room 329, Ministry of Defence, Metropole Buildings, London, W.C.2.

Present

Brigadier G.R. Way (In the Chair)	Ministry of Defence, (J.I.B.)
Mr. J.H. Farmer	Foreign Office, (P.U.S.D.)
Mr. R.A. Hibbert	Foreign Office, (Northern Dept.)
Mr. K.G. Ritchie	Foreign Office, (Far Eastern Dept.)
Mr. E.J.R. Naylor	Foreign Office, (Far Eastern Dept.)
Mr. J.F. Ford	Foreign Office, (Research Dept.)
Miss M. Bieber	Foreign Office, (I.R.D.)
Mr. E.C. Burr	Colonial Office
Miss D. Stuart	Board of Trade
Mr. K.I. Wiggs	Ministry of Defence, (J.I.B.)
Mr. J. Williams	- do -
Mr. R.D.A. Newbury	- do -
Mr. A. Todd	- do -
Mr. H.M. Champness	- do -
Mr. W.C. Rudkin	- do -
Mrs. E.H. Gibson	- do -
Mrs. E. Picknell	C.I.A. (U.S.)
Mr. S.M.B. Green (Secretary)	Ministry of Defence, (J.I.B.)

1. MINUTES OF THE PREVIOUS MEETINGItem 2. Gold Production in the U.S.S.R.

THE CHAIRMAN said that since the last meeting C.I.A. had reduced their estimate of Soviet gold production, thus increasing the discrepancy between their figure and that of J.I.B. Further consideration and exchanges by C.I.A. and J.I.B. would therefore be necessary before an agreed estimate could be reached; while any approach which might be made to the Soviet representatives at the Geneva Conference in October would have to be more tentative than had originally been hoped.

MISS STUART said that in discussions with the Board of Trade, the Treasury had indicated their lack of concern over the size of Soviet production or stocks. The Board of Trade were not entirely convinced that the Treasury attitude was the right one, particularly with regard to stocks, but did not wish to press strongly for an approach to the Soviet representatives at Geneva. MR. TODD and MR. FARMER urged the need for more information on the subject from any source.

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THE CHAIRMAN said that the Treasury had maintained their attitude of unconcern for nearly ten years. A decision on the desirability of approaching the Soviet representatives informally at Geneva must rest with the Foreign Office, but he felt that it might yield some results. MR. HIBBERT emphasised that any approach would require extremely careful briefing; he doubted whether it would be practicable. The Foreign Office might, however, look at the question again after the tripartite discussions on the Geneva briefs.

THE GROUP AGREED:

- (i) that J.I.B. should report on the results of their further exchanges with C.I.A. on estimates of Soviet annual gold production;
- (ii) that the Treasury should be invited to explain more fully the reasons for their lack of concern over the size of Soviet gold output and stocks;
- (iii) that the Foreign Office should be asked to consider again the possibility of an informal approach to the Soviet delegation at Geneva in October.

Item 6. Soviet Agriculture

MR. HIBBERT said that the briefing of the British agricultural delegation to the U.S.S.R. would take place next Tuesday. If any departments had points for the delegation they should therefore inform the Foreign Office before Tuesday.

THE GROUP TOOK NOTE of Mr. Hibbert's statement.

Item 8. Retail Price Movements and Living Costs in the Soviet Union

MISS BIEBER said that the meeting between representatives from Foreign Office Research Department, I.R.D., J.I.B. and the Central Statistical Office had occurred on 31st October. A report of this meeting and of a subsequent meeting to be held shortly would be sent to the Secretary of the E.I.G.

THE GROUP TOOK NOTE of Miss Bieber's statement.

The minutes were then agreed.

2. SINO-EGYPTIAN TRADE AGREEMENT

MISS STUART said that the amount of steel which China was to export to Egypt was more than had been exported by the Soviet bloc to Western Europe. MR. RITCHIE added that the ability of the Chinese to spare steel on this scale was surprising; possibly the agreement reflected the Communists' desire to gain a footing in Egypt.

MR. FORD recalled that during the summer of 1952 Shanghai cotton mills had ceased work for six weeks for lack of cotton although 1952 was a peak year for Chinese cotton production. Since then production had fallen while the population had risen considerably, so that the gap between

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home production and requirements must now be much greater. Moreover, if the official claims that the peasants' purchasing power was rising were true, the Government would have to provide them with some extra consumption goods such as cotton textiles. The paper was therefore right in concluding that China's demand for cotton was probably the main reason for the agreement.

MR. NEWBURY agreed. He made the further point that China's steel consuming industries, e.g. machine-building, were still badly organised, widely dispersed and only partially nationalised, i.e. not under close Government control. It was therefore probable that China was short of the more complex types of steel but had a surplus of the simpler types, some of which could be exported.

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THE GROUP THEN APPROVED THE PAPER subject to the clarification of the last sentence of paragraph 3 and the deletion of the last clause of paragraph 9(b).

3. THE FOOD SITUATION IN CHINA

(a) Food Exports

MRS. GIBSON said that there had recently been a number of conflicting official Chinese statements about the future of food exports. At the National People's Congress in July, Chen Yun (a Deputy Prime Minister) had given absolute figures which showed that grain exports had risen by 10 per cent in 1954. The Minister of Foreign Trade had subsequently declared that in 1954 grain exports were the same as in 1953 and that they would remain at the same level for some years. A third official statement (in August) had then stated that exports would continue to increase over the period of the Five-Year Plan (1953-57).

J.I.B. considered it highly unlikely that the Five-Year Plan policy of increasing exports would be dropped. It was impossible to reconcile the conflicting statements, although the Minister of Foreign Trade's statistics might cover slightly different ground from those used by Chen Yun. However, it was quite probable that the Minister of Foreign Trade was speaking for home consumption only. The increase in food exports envisaged would have a negligible effect on the food situation but might affect public opinion.

(b) Grain Rationing

MRS. GIBSON said that press reports had given the impression that grain rationing in China was due to a sudden deterioration in the food position. This was not the J.I.B. view. Some form of rationing had existed since 1953, but

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because of local inefficiency and corruption it had failed to solve the main problem, which was how to improve distribution. J.I.B. believed that the basic food position had changed little over this period: the 1954 floods had caused an increased strain but no breakdown. On the other hand the Government was failing to get as much revenue from agriculture as it would like to, and this might well lead to a failure to improve living standards.

(c) Food Statistics

MRS. GIBSON drew the attention of the Group to a number of contradictions in recent Chinese statistics of agricultural production.

THE GROUP TOOK NOTE of Mrs. Gibson's statement on points (a), (b) and (c) above.

MR. FORD agreed generally with Mrs. Gibson's analysis. He wished, however, to emphasise two facts:-

- (1) Although rationing was not new, the publication of national ration scales was.
- (ii) The situation last spring had undoubtedly been tense and there had been a severe campaign for two months on the theme that throughout the country the amount of grain being supplied must be reduced. It was possible that the announcement of national ration scales was a result of the spring emergency and not merely the implementation of a policy prepared much earlier but only followed locally and sporadically.

MRS. GIBSON agreed. She felt nevertheless that distribution was the chief problem and that the tense situation last spring was partly caused by maldistribution. MR. FORD agreed. THE CHAIRMAN suggested that many of China's current difficulties were due to the inefficient working of new machinery. He recalled the economic situation in the European Satellites during the first years of their existence, when there were similar outbursts of contradictory statements and the gap between announced policy and its national implementation was frequently large. MRS. GIBSON agreed and pointed out that this was the first time that a serious attempt had been made to tackle the problem of food distribution in China on a national scale.

THE GROUP agreed that the main agricultural problem for the Chinese Government at present was distribution.

4. ECONOMIC TIES BETWEEN THE U.S.S.R. AND THE SATELLITES

MR. HIBBERT said that the Foreign Office were interested in the extent to which the U.S.S.R. might appear to release her grip on the Satellites without in fact doing so because of economic ties. The time seemed particularly opportune for a study of this subject since in the New Year the "co-ordination" of the Five-Year Plans of the various countries concerned was due to begin.

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MR. WIGGS agreed. He warned the Group, however, of the serious gaps in intelligence on C.M.E.A. and joint economic planning by the Communist countries. MR. HIBBERT said that the study should prove helpful to H.M. Missions in the Satellite countries, which lacked an up-to-date guide on the information most urgently required in their economic reporting.

THE GROUP agreed that the Foreign Office should table a first draft, if possible at the next meeting of the Group. The study should exclude China.

5. OTHER MATTERS

There was no other business. The meeting closed at 4.20 p.m. The next meeting will be held on Thursday, 20th October, 1955, at the same time and place.

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F

FAR EASTERN DEPARTMENT

FC 11/316/10**1955**

CHINA ~

FROM British Embassy,
Peking
SECRETSino - Egyptian Trade
Agreement
Encloses the text of a communiqué
issued on 26th August.

No. 224.

Dated 14-9-55.

Received in
Registry— 3-10-55.

References to former relevant papers

- 13

- 14.

- 15.

Library

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82) A.I.B.

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References to later relevant papers

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MINUTES

See Att. to Chancery Peking.

R. G. H. M.
6/10A) Economic Intelligence Group.
EIG 30/55 - FINAL. 16-9-55.R. G. H. M.
12/10

B) Mr. Green, Ministry of Defence. D/L 8 14/10.

C) Financial Times. 16/10.E. R. H. M.
17/10.R. G. H. M.
19/10.

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FC 11316/10

BRITISH EMBASSY,

PEKING.

RESTRICTED

No. 224

11210/8/55

September 14, 1955.

Sir,

As I have reported in my telegrams Nos. 800, 804 and 809 of the 23rd, 24th and 26th of August, a Sino-Egyptian trade agreement valid for three years was signed in Peking on the 22nd of August together with a protocol covering trade during the first year of the agreement. I enclose the text of a communiqué issued on the 26th of August. The agreement was signed by Yeh Chi-chuang, Chinese Minister of Foreign Trade, and Dr. Mohammed Abou Nosseir, Egyptian Minister of Commerce and Industry.

2. The trade agreement provides for each country to accord the other most favoured nation treatment and for the establishment of an Egyptian trade office in China and a Chinese trade office in Egypt. On his return to Hong Kong Dr. Mohammed Abou Nosseir told correspondents that these offices would not be set up until the agreement had been approved by both Governments.

3. During the first year of the agreement total Sino-Egyptian trade is expected to amount to £20 million. The two governments have expressed the desire that trade should balance. On the 23rd of August two contracts were signed in Peking under the agreement. One contract was for the import by Egypt of 60,000 tons of Chinese rolled steel. The other was for the import by China of 45,000 bales of Egyptian cotton. This contract is in addition to the contract for the purchase of 40,000 bales of cotton which was signed recently in Cairo, and to purchases of Egyptian cotton by China on the open market, which according to the Chinese press have amounted to another 6,000 bales. In an article on the 26th of August the People's Daily revealed that the list of goods annexed to the trade agreement provides for the export by Egypt of other goods as well as cotton, and for the export by China to Egypt of industrial equipment "which the imperialists have been reluctant to supply". This equipment would include complete sets of equipment for textile and paper mills.

4. I am sending copies of this despatch to Her Majesty's Ambassador in Cairo and to the Commercial Relations & Exports Department of the Board of Trade.

I have the honour to be, with the highest respect,
Sir,

Your obedient Servant,

C. Reid

The Right Honourable
Harold Macmillan, M.P.,
etc., etc., etc.,
Foreign Office.

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Extract from the "DAILY NEWS RELEASE" of

Friday, 26th August 1955.

Communique on Sino-Egyptian Trade Talks Issued

PEKING, Aug. 26—A communique was issued today on trade negotiations between the People's Republic of China and the Republic of Egypt. The text of the communique follows:

In accordance with the desire of the Government of the People's Republic of China and the Government of the Republic of Egypt to promote the friendship between the peoples of the two countries, the representatives of both governments signed on August 22, 1955 at Peking a three-year trade agreement together with a protocol to the trade agreement for the first agreement year subject to the approval of both governments.

The agreement expresses the desire of the two governments to reach a balance of trade. It provides for the most favoured nation treatment and the establishment of an office of commercial representative of the government in each other's country. The volume of trade for the first agreement year is arranged at a total value of pounds sterling 20 million.

The negotiations were conducted in an atmosphere of goodwill and cordiality, and the agreements reached mark a further step in the development of trade and friendly relations between China and Egypt, thus implementing the resolutions regarding economic cooperation adopted at the Asian-African Conference.

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PEKING.

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No. 224

11210/8/55

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3. During the first year of the agreement total Sino-Egyptian trade is expected to amount to £20 million. The two governments have expressed the desire that trade should balance. On the 23rd of August two contracts were signed in Peking under the agreement. One contract was for the import by Egypt of 60,000 tons of Chinese rolled steel. The other was for the import by China of 45,000 bales of Egyptian cotton. This contract is in addition to the contract for the purchase of 40,000 bales of cotton which was signed recently in Cairo, and to purchases of Egyptian cotton by China on the open market, which according to the Chinese press have amounted to another 6,000 bales. In an article on the 26th of August the People's Daily revealed that the list of goods annexed to the trade agreement provides for the export by Egypt of other goods as well as cotton, and for the export by China to Egypt of industrial equipment "which the imperialists have been reluctant to supply". This equipment would include complete sets of equipment for textile and paper mills.

4. I am sending copies of this despatch to Her Majesty's Ambassador in Cairo and to the Commercial Relations & Exports Department of the Board of Trade.

I have the honour to be, with the highest respect,

Sir,

Your obedient Servant,

(Signed) C. O'Neill

The Right Honourable
Harold Macmillan, M.P.,
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Foreign Office.

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EIG.30/55

ECONOMIC INTELLIGENCE GROUP

The attached Note on the recent Sino-Egyptian Trade Agreement, which has been prepared in J.I.B., is circulated for the consideration of the Group.

S.M.B. GREEN
Secretary

14th September, 1955

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EIG.30/55

SINO-EGYPTIAN TRADE AGREEMENTSummary and Conclusions

A three-year trade agreement was signed in August between Egypt and China. Trade during the first year will amount to £10m. each way. Egypt will export cotton, while Communist China's exports are chiefly remarkable for the inclusion of 60,000 tons of steel, equal to about 2-3% of her annual output. If, as seems probable, the steel is being offered at something like world market prices, it is noteworthy that these are far below Chinese internal prices. The steel is probably of Chinese manufacture, but this is not certain, since China is currently importing steel. Although the agreement will provide China with some useful propaganda the motives behind it seem to be primarily economic: Egypt is anxious to sell cotton, while China needs urgently to import it.

Analysis of the Agreement

2. From September 1954 to July 1955 Egypt exported only 6,000 tons of cotton to China (in June). Since July, however, she has sold (and almost certainly shipped) a further 13,000 tons. This sale may in fact have been included in the new agreement as well as the 15,000 tons specifically mentioned, in which case Egypt would already have sold or earmarked about £8½m. of the £10m. worth of exports promised for the first year of the agreement. Presumably the remaining £1½m. will also be cotton. China has thus bought or agreed to buy 34,000 tons of Egyptian cotton during the three months June-August 1955 and has become one of Egypt's leading customers. (However, a statement attributed by the New China News Agency to the Egyptian Minister of Trade to the effect that the new agreement involves "the biggest cotton deal in Egypt's history" is highly disingenuous. It only makes sense if applied to inter-Government deals).

3. If the 13,000 tons which China has bought since July has not been included in the new agreement this would mean that, in order to fulfil her side of the bargain, Egypt would still have to export about £5½m. (say 15-20,000 tons of cotton) in addition to the 15,000 tons mentioned by both countries in the context of the agreement. Egypt would probably be willing and able to do this, but China might find difficulty in providing the means of payment. It is true that the Chinese People's Daily of 26th August declared that "in addition to its traditional exports to Egypt, China may supply industrial equipment such as machinery and complete textile and paper making installations." But it is unlikely - though not impossible - that these exports would amount to more than about £1½m. (see para.2 above).

4. There has in the past been evidence that cotton bought by China from Egypt has not been intended for China and has been shipped from Alexandria to Rumanian, Bulgarian or Polish ports; but for reasons given in paras.6 and 8 of this Note it is virtually certain that all the cotton exported under the present agreement will go to China as swiftly as possible.

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5. 60,000 tons of steel is only about 2-3% of China's estimated production for 1955. Its significance, however, lies in the fact that this is the first time China has made serious offers on this scale to export steel. Assuming that the Chinese prices are much the same as current U.K., Continental and Japanese export prices for similar types and sizes of steel, it is noteworthy that these prices are far below Chinese internal prices, the difference being very much greater than the 12-15% difference between U.K. home and export prices.

6. Since China needs cotton badly, and since she is currently importing steel from both the Soviet bloc and the West, it is arguable that the steel for Egypt will not be of Chinese manufacture. (A similar process of re-exporting newly imported goods was recently adopted by China when obtaining rice from Burma). On the other hand China's steel industry is new and expanding, whereas her steel-using industries have not developed far or evenly, so that production may have run ahead of consumption sufficiently to permit modest exports. On this assumption China would tend to have a surplus of simple types of easily-fabricated steel such as is used in construction work and a shortage of the more complex types. It would moreover be uneconomic for China to import Western or Soviet bloc steel for re-export to a country so far distant as Egypt. However, the facts are too meagre to refute the argument that China's steel exports to Egypt may be re-exports.

Motives for the Agreement

7. From the Chinese side the agreement mainly reflects China's current economic priorities*. She undoubtedly needs cotton more than steel as an immediate want. Her steel output continues to rise satisfactorily, whereas her output of cotton, in which she was not entirely self-sufficient even in the peak production year of 1952, fell in both 1953 and 1954 and is unlikely to regain the 1952 level of 1.3m. tons in 1955. (This would in any case still fail to keep pace with the intervening rise in population of over 30 million). During 1955 China has negotiated for high and low quality cotton from eight different countries, including India and Pakistan.

8. Egypt is eager to sell. Her cotton exports have lagged this year - and would in fact have lagged more but for a substantial rise in sales to Eastern Europe.

9. Thus China is a willing (though far from affluent) buyer and Egypt a willing seller. Yet the value and volume of goods involved in the agreement are unspectacular, particularly on the Chinese side. This suggests that the political element in the agreement is secondary to the economic. Politically the Chinese no doubt intend to show:

- (a) that China is a good market, especially for exporters allegedly affected by U.S. "dumping";
- (b) that China is already an industrial power capable of exporting steel, and that Western strategic export controls are therefore pointless.

14th September, 1955

* This also has some bearing on the argument in para.6.

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EIG.30/55/FINAL

ECONOMIC INTELLIGENCE GROUP

The attached Note on the recent Sino-Egyptian Trade Agreement, which has been prepared in J.I.B., is circulated for the information of the Group.

S.M.B. GREEN
Secretary

16th September, 1955

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Analysis of the Agreement

2. From September 1954 to July 1955 Egypt exported only 6,000 tons of cotton to China (in June). Since July, however, she has sold (and almost certainly shipped) a further 13,000 tons (worth £4m.). This sale may in fact have been included in the new agreement as well as the 15,000 tons specifically mentioned (worth about £4½m.), in which case Egypt would already have sold or earmarked about £8½m. of the £10m. worth of exports promised for the first year of the agreement. Presumably the remaining £1½m. will also be cotton. China has thus bought or agreed to buy 34,000 tons of Egyptian cotton during the three months June-August 1955 and has become one of Egypt's leading customers. (However, a statement attributed by the New China News Agency to the Egyptian Minister of Trade to the effect that the new agreement involves "the biggest cotton deal in Egypt's history" is highly disingenuous. It only makes sense if applied to inter-Government deals).

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4. There has in the past been evidence that cotton bought by China from Egypt has not been intended for China and has

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* Extra to the £2½m. which 60,000 tons of steel represents at world market prices.

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SECRET

been shipped from Alexandria to Rumanian, Bulgarian, or Polish ports; but for reasons given in paras.6 and 8 of this Note it is virtually certain that all the cotton exported under the present agreement will go to China as swiftly as possible.

5. 60,000 tons of steel is only about 2-3% of China's estimated production for 1955. Its significance, however, lies in the fact that this is the first time China has made serious offers on this scale to export steel. Assuming that the Chinese prices are much the same as current U.K., Continental and Japanese export prices for similar types and sizes of steel, it is noteworthy that these prices are far below Chinese internal prices, the difference being very much greater than the 12-15% difference between U.K. home and export prices.

6. Since China needs cotton badly, and since she is currently importing steel from both the Soviet bloc and the West, it is arguable that the steel for Egypt will not be of Chinese manufacture. (A similar process of re-exporting newly imported goods was recently adopted by China when obtaining rice from Burma). On the other hand China's steel industry is new and expanding, whereas her steel-using industries have not developed far or evenly, so that production may have run ahead of consumption sufficiently to permit modest exports. On this assumption China would tend to have a surplus of simple types of easily-fabricated steel such as is used in construction work and a shortage of the more complex types. It would moreover be uneconomic for China to import Western or Soviet bloc steel for re-export to a country so far distant as Egypt. However, the facts are too meagre to refute the argument that China's steel exports to Egypt may be re-exports.

Motives for the Agreement

7. From the Chinese side the agreement mainly reflects China's current economic priorities*. She undoubtedly needs cotton more than steel as an immediate want. Her steel output continues to rise satisfactorily, whereas her output of cotton, in which she was not entirely self-sufficient even in the peak production year of 1952, fell in both 1953 and 1954 and is unlikely to regain the 1952 level of 1.3m. tons in 1955. (This would in any case still fail to keep pace with the intervening rise in population of over 30 million). During 1955 China has negotiated for high and low quality cotton from eight different countries, including India and Pakistan.

8. Egypt is eager to sell. Her cotton exports have lagged this year - and would in fact have lagged more but for a substantial rise in sales to Eastern Europe.

9. Thus China is a willing (though far from affluent) buyer and Egypt a willing seller. Yet the value and volume of goods involved in the agreement are unspectacular. This suggests that the political element in the agreement is secondary to the economic. Politically the Chinese no doubt intend to show:

- (a) that China is a good market, especially for exporters allegedly affected by U.S. "dumping";
- (b) that China is already an industrial power capable of exporting steel.

16th September, 1955

* This also has some bearing on the argument in para.6.

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Registry
No. FC 11316/10

FOREIGN OFFICE, S.W.1.

October, 1955.

XXXXXX
Secret.
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K.
G.
R.

SECRET

Draft.

The Chancery,
Peking.

Dear Chancery,

We refer to your despatch No. 224 of
September 14 about the Sino-Egyptian Trade
Agreement.

From:-

Far Eastern
Dept.

2. We enclose herewith a copy of a paper
prepared by the J.I.B. ^{which we think} ~~on this Agreement.~~

~~This paper~~ provides an excellent analysis of
the Agreement, ^{however one or two} ~~and we have~~ ^{certain} points to
make on which we would be glad of your
comments in due course.

Insert A

3. ~~First the J.I.B. draw attention in~~
paragraph 5 to the fact that this is the first
time China has made serious offers on this
scale to export steel, although 60,000 tons
represents only about 2-3 per cent. of China's
estimated production for 1955. Also,
^{the New China News Agency,}
according to ~~a B.B.C. monitoring report,~~ Sun
Yang, Chief of the Research Department of the
State's Planning Commission, in an article
reviewing this year's economic achievements
in the "People's Daily" has stated that China's
steel output in the first half of this year
is already close to that for the whole of
1952. This statement tends to justify the
J.I.B. suggestion that production of steel
may have run ahead of consumption sufficiently
to permit modest exports. Further
confirmation of this is provided in your

Copies (with
enclosures) to:-

Cairo.
Washington.
(Spencer attached)

Copy to
J.I.B.
(Mr. Newbunny).

E.R. *DM* 10
Africa Dept.
7/10
Frit.

R. M. 6/10

RECEIVED IN
DIVISION.
10 OCT 1955
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~~At B. letter 5/0 621 of September 15 reporting on~~

published

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THE NATIONAL ARCHIVES

~~published~~
~~published~~ exports from China to Burma which
 included
~~enclosed~~ 13,484 tons of steel and steel
 products. We should however be grateful
 for your comments on J.I.B.'s suggestion
 that China may be building up an export
 surplus of steel. The piling up of
 building materials reported in your
 telegram No. 884 may also be relevant.

4. Our ~~second~~ ^{third} point relates to the
 question of whether even given an export
 surplus of steel and China's self-evident
 need for raw cotton the Chinese motives in
 signing this Agreement were ~~more~~ ^{not} political
 than economic. The signing of the
 Agreement has meant in effect a recognition
 of the Peking Government by Cairo and may
 even be the first step towards securing
 Egyptian and Arab support generally for
 the Chinese People's Government's claim to
 represent China at the United Nations.
 Certainly the establishment of a Chinese
 Trade Office in Cairo, as provided for by
 the Agreement, will ~~provide~~ ^{be} a valuable
 outlet for Chinese propaganda. In your
 despatch under reference you quote the
 provision made in the list of goods
 annexed to the Agreement for the export by
 China to Egypt of industrial equipment
 "which the imperialists have been reluctant
 to supply". Despite the evidence of Chinese
 ability to export manufactured goods as
 reported in your letter on exports to Burma
 already referred to, this provision has all
 the ~~makings~~ ^{appearance} of a political gambit.

appearance?

/5.

Flay C.

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3. Just then is the remarkable suggestion that Chinese steel production may have run ahead of consumption, at least in certain types of relatively simple steel products. Although it is difficult to credit this in view of the intense constructional activity throughout China there ^{is some} ~~undeniable~~ evidence in support of it.

~~Just~~ A & B point out the export of 60,000 tons of steel to Sept is the first example of steel export on such a scale (even though it is only 2.3 percent of China's estimated production in 1955). It is followed by news of the export of 13,484 tons to Burma (Jan letter S/O 621 18 Sept 15). The ^{New} ~~ACAI~~ China News Agency recently published an article by the Chief of the Research Dept of the State Planning Commission stating that China's steel output in the first half of this year was close to that for the whole of 1952. And finally there is the ^{piling} ~~building~~ up of building materials as a result of the economy ^{campaign}.

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Campaign, reported in Jan 1st 884.

On the whole therefore we think the JIB
suggestion ~~is~~ ^{maybe} justified.

4. Secondly ~~there is a suggestion~~ ^{it is thought that}

China may be aiming to have a
permanent steel surplus available for
export. Again this seems at first sight
unlikely in view of the vast plans for
industrialisation. But a fair it is
perhaps not to be ruled out altogether.
China's increasing population is clearly
making it more difficult every year for her
to export agricultural products, particularly
food grains. Yet exports are vital if
industrialisation is to proceed at the
present pace. The Chinese may therefore
be consciously planning to replace agricultural
exports by ~~steel~~ ^{non agricultural} products. The
very great planned increase of coal is an
example. It seems not impossible that
steel may be another.

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Open.

Draft.

6. We shall be interested to have your views and those of the Chancery at Cairo on the points made above.

7. We are sending copies of this letter to Cairo and Washington.

Yours ever,

FAR EASTERN DEPARTMENT.

MSW
8/10

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OUTFILE

(FC 11316/10)

FOREIGN OFFICE, S.W.1.

SECRET

October 11, 1955.

Dear Chancery,

We refer to your despatch No. 224 of September 14 about the Sino-Egyptian Trade Agreement.

2. We enclose herewith a copy of a paper prepared by the Joint Intelligence Bureau which we think provides an excellent analysis of the Agreement. We have however one or two points to make on which we would be glad of your comments in due course.

3. First then is the remarkable suggestion that Chinese steel production may have run ahead of consumption, at any rate in certain types of relatively simple steel products. Although it is difficult to credit this in view of the intense constructional activity throughout China there is some evidence in support of it. As J.I.B. point out the export of 60,000 tons of steel to Egypt is the first example of steel export on such a scale (even though it is only 2.3 per cent of China's estimated production of 1955). It is followed by news of the export of 13,484 tons to Burma (your letter S/O 621 of September 15). The New China News Agency recently published an article by the Chief of the Research Department of the State Planning Commission stating that China's steel output in the first half of this year was close to that for the whole of 1952. And finally there is the piling up of building materials as a result of the economy campaign, reported in your telegram 884. On the whole therefore we think the J.I.B. suggestion may be justified.

4. Secondly it is thought that China may be aiming to have a permanent steel surplus available for export. Again this seems at first sight unlikely in view of the vast plans for industrialisation. But again it is perhaps not to be ruled out altogether. China's increasing population is clearly making it more difficult every year for her to export agricultural products, particularly food grains. Yet exports are vital if industrialisation is to proceed at the present pace. The Chinese may therefore be consciously planning to replace agricultural exports by non agricultural products. The very great planned increase of coal is an example. It seems not impossible that steel may be another.

5. Our third point relates to the question of whether even given an export surplus of steel and China's self-evident need for raw cotton the Chinese motives in signing this Agreement were not more political than economic. The signing of the Agreement has meant in effect a recognition of the Peking Government by Cairo and may even be the first step towards securing Egyptian and Arab support generally for

/the

The Chancery,
British Embassy,
Peking.

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the Chinese People's Government's claim to represent China at the United Nations. Certainly the establishment of a Chinese Trade Office in Cairo, as provided for by the Agreement, will be a valuable outlet for Chinese propaganda. In your despatch under reference you quote the provision made in the list of goods annexed to the Agreement for the export by China to Egypt of industrial equipment "which the imperialists have been reluctant to supply". Despite the evidence of Chinese ability to export manufactured goods as reported in your letter on exports to Burma already referred to, this provision has all the appearance of a political gambit.

6. We shall be interested to have your views and those of the Chancery at Cairo on the points made above.

7. We are sending copies of this letter to Cairo and Washington.

Yours ever,

FAR EASTERN DEPARTMENT.

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P/W

14th October, 1955.

Ref: D/48

Dear

At the request of Naylor of the Foreign Office (Far Eastern Dept.), I am sending you three copies of a paper by the Economic Intelligence Group on the recent Sino-Egyptian Trade Agreement. I understand that the F.O. are at present awaiting replies from Peking and Cairo on the subject.

The Economic Intelligence Group is a small inter-departmental body which meets on the third Thursday of each month in the Ministry of Defence (J.I.B.) in Northumberland Avenue.

I am sending a copy of this letter to Naylor.

Yours sincerely,

(S.M.B. GREEN)
Secretary

R.C.C. Hunt, Esq.,
Commonwealth Relations Office,
Downing Street,
S.W.1.

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Minutes.

FC 11316/10 C.

FINANCIAL TIMES

Cutting dated 17 OCT 1955 195

EGYPT'S TRADE
WITH CHINATO BUY MACHINERY
UNDER 3-YEAR PACTFrom Our Own Correspondent
CAIRO, Oct. 16.

Further details of the £20m. three-year trade agreement ratified last month between Egypt and China were released here last night.

China will send Egypt machine tools, construction machinery and construction steel, mining equipment, pressing machinery, textile machinery and complete plants for sugar refining, flour milling, weaving and papermaking.

In addition, China will export to Egypt a variety of foodstuffs, including grain, meat, tea and canned goods.

Egypt will export to China raw cotton and calcium.

To date Egypt has purchased from China £2,190,000 worth of iron rods for building purposes and China has bought £6m. worth of cotton.

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FAR EASTERN DEPARTMENT

FC/11316/11.

1955

CHINA ✓

FROM F.O. Minute-
Mr Crowe.

Egyptian - Soviet Arms Deal.
Discusses the motives behind the
conclusion of a
trade agreement between China and
Egypt.

No.

Dated 28-4-55.

Received in
Registry— 7-10 -55.

References to former relevant papers

MINUTES

See within.

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SECRETEGYPTIAN-SOVIET ARMS DEAL

Flag A

Paragraph 4 of the Secretary of State's telegram No. 844 from New York refers to the conclusion of an agreement between China and Egypt under which China would supply credits and Egypt would supply cotton and would support China's application for United Nations membership. Monsieur Pinay produced this information on the basis of a report from French intelligence sources.

2. The Chinese in fact announced on August 23 that a Sino-Egyptian trade agreement was signed in Peking on August 22. This was followed by an Egyptian Finance Ministry spokesman's announcement on August 25 that during the first year trade between the two countries would be £20 million, that the two contracting parties should treat each other on a most-favoured-nation basis and that Egypt would open offices for commercial representation in China, similar facilities in Egypt being accorded to the Chinese. At the same time the New China News Agency reported the conclusion of agreements covering the supply of 60,000 tons of steel to Egypt from China and the supply to China by Egypt of 45,000 bales (15,000 tons) of cotton.

Flag B

3. A paper setting out the J.I.B. analysis of the agreement is attached to this submission. The paper suggests that the motives behind the agreement are primarily economic. China urgently requires cotton while Egypt has cotton to sell. While we would agree with the J.I.B.'s conclusion ^{that} there are strong economic grounds for the agreement, we think they underestimate the political /reasons ..

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reasons for it, which are also strong. Egypt still nominally recognizes Chang Kai-shek. This agreement virtually puts an end to that. It may be an opening wedge to general recognition of Peking by the Arab bloc. No doubt the Chinese hoped the Egyptians would vote for them in the United Nations but there can have been no agreement to this effect since Egypt in fact abstained on the "moratorium" resolution last week.

4. This last fact would appear to cast doubt on Monsieur Pinay's information that the Chinese would grant credits to Egypt. In any case it seems ^{of} doubtful reliability as the Chinese are in no position to do so. They will have difficulty enough in finding the steel they have undertaken to ship.

Conclusions

5. The Chinese-Egyptian agreement may have some connexion with recent Soviet moves in the Middle East but on the whole this seems unlikely. The agreement is needed by the Chinese for their own economic and political reasons.

C. T. Crowe
(C.T. Crowe)
September 28, 1955.

N. Allen

Copy : African Department

I agree. The Chinese-Egyptian agreement is perfectly well to be accounted for as a consequence of Bandung, where Col. Nasser played a prominent part and saw a good deal of Mr. Nehru and Mr. Chou En-lai, and as providing both parties with economic advantage. N. Allen. 29/9. /bis

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~~Mr. Shuckburgh~~
 Sir H. Cairns

The Sigs. may wish to

See this on return.

Lord Reading
 Private Secretary

A. Cairns
 29/ix

I agree with this analysis.

Reading 29
 9.

HM
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Mr Ritchie 29
 8/10

African Gov. House

12/10.

MSW
 6/10

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SECRETFROM NEW YORK TO FOREIGN OFFICE

(United Kingdom Delegation to the United Nations)

Cypher/OTP

FOREIGN OFFICE SECRET AND
WHITEHALL SECRET DISTRIBUTION

Sir P. Dixon D. 11.37 p.m. September 27, 1955.L.T.
 No. 844 R. 9.50 a.m. September 28, 1955.
 September 27, 1955.

IMMEDIATESECRETAddressed to Foreign Office telegram No. 844 of September 27.

Repeated for information to Washington

Cairo	Moscow
B.M.E.O.	Paris

Following from Secretary of State.

Cairo telegram No. 1330: Egyptian Soviet Arms Deal.

I have discussed the matter fully with Mr. Dulles. We both consider that the proposed arms deal with Russia must be regarded as a very serious matter. Clearly it may be the beginning of a new Soviet offensive designed to break up our position in the Middle East. It may open the way to infiltration of Soviet arms through Libya into North Africa and beyond. We are therefore proposing to speak to Mr. Molotov in strong terms about it when we meet him at dinner tonight. M. Pinay, who claims to have more information than either of us (see paragraph 4 below), has agreed to act with us.

2. We shall take the line that this action by the Soviet Union is incompatible with the spirit in which we hope to meet Mr. Molotov next month. We shall point out that our policy of limiting arms supplies to the Levant is dictated by the desire to prevent dangerous tensions and to contain the Arab/Israel controversy; and that for the Soviet Union to begin supplying arms in this field could only be interpreted as deliberate and mischievous attempt to increase tension and threaten peace.

3. Meanwhile Mr. Dulles and I are sending instructions to our Ambassadors in Cairo to make another attempt to persuade Nasser to abandon the deal. My telegram to Sir H. Trevelyan is being repeated to you.

4. M. Pinay has given us the following information derived from a French intelligence source. In July a Soviet Commissar

/visited

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SECRETU.K.Del. New York telegram No. 844 to Foreign Office

- 2 -

visited Egypt. The resultant agreement related not only to the supply of munitions (M. Pinay said his figures were higher than those we had quoted) but also contained provisions by which

- (a) The Soviet Union would support the Arab cause against Israel, and
- (b) Egypt would increase agitation in French North Africa.

M. Pinay further told us that in August an agreement had been concluded between Egypt and Communist China. China was to furnish credits and Egypt to supply cotton and Egypt was to support China for membership of the United Nations. I cannot assess the validity of these reports which strike me, at first sight, as probably coloured by French apprehensions regarding North Africa.

Please repeat to Cairo, B.M.E.O. Moscow and Paris as my telegrams Nos. 86, 41, 61 and 72 respectively.

[Repeated to Cairo, B.M.E.O. Moscow and Paris].

ADVANCE COPIES TO:

Private Secretary
 Sir H. Caccia
 Mr. Pink
 Head of African Department
 Head of Levant Department
 Mr. Turton

mmmmmm

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EIG.30/55/FINAL

ECONOMIC INTELLIGENCE GROUP

The attached Note on the recent Sino-Egyptian Trade Agreement, which has been prepared in J.I.B., is circulated for the information of the Group.

S.M.B. GREEN
Secretary

16th September, 1955

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EIG.30/55/FINAL

SINO-EGYPTIAN TRADE AGREEMENTSummary and Conclusions

A three-year trade agreement was signed in August between Egypt and China. Trade during the first year will amount to £10m. each way. Egypt will export cotton, while Communist China's exports are chiefly remarkable for the inclusion of 60,000 tons of steel, equal to about 2-3% of her annual output. If, as seems probable, the steel is being offered at something like world market prices, it is noteworthy that these are far below Chinese internal prices. The steel is probably of Chinese manufacture, but this is not certain, since China is currently importing steel. Although the agreement will provide China with some useful propaganda the motives behind it seem to be primarily economic: Egypt is anxious to sell cotton, while China needs urgently to import it.

Analysis of the Agreement

2. From September 1954 to July 1955 Egypt exported only 6,000 tons of cotton to China (in June). Since July, however, she has sold (and almost certainly shipped) a further 13,000 tons (worth £4m.). This sale may in fact have been included in the new agreement as well as the 15,000 tons specifically mentioned (worth about £4½m.), in which case Egypt would already have sold or earmarked about £8½m. of the £10m. worth of exports promised for the first year of the agreement. Presumably the remaining £1½m. will also be cotton. China has thus bought or agreed to buy 34,000 tons of Egyptian cotton during the three months June-August 1955 and has become one of Egypt's leading customers. (However, a statement attributed by the New China News Agency to the Egyptian Minister of Trade to the effect that the new agreement involves "the biggest cotton deal in Egypt's history" is highly disingenuous. It only makes sense if applied to inter-Government deals).

3. If the 13,000 tons which China has bought since July has not been included in the new agreement this would mean that, in order to fulfil her side of the bargain, Egypt would still have to export about £5½m. (say, 15-20,000 tons of cotton) in addition to the 15,000 tons mentioned by both countries in the context of the agreement. Egypt would probably be willing and able to do this, but China might find difficulty in providing the means of payment. It is true that the Chinese People's Daily of 26th August declared that "in addition to its traditional exports to Egypt, China may supply industrial equipment such as machinery and complete textile and paper making installations." But it is unlikely that these exports would amount to anything like the extra £7½m.* which China would have to export if the 13,000 tons of cotton is not part of the agreement.

4. There has in the past been evidence that cotton bought by China from Egypt has not been intended for China and has

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* Extra to the £2½m. which 60,000 tons of steel represents at world market prices.

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been shipped from Alexandria to Rumanian, Bulgarian, or Polish ports; but for reasons given in paras.6 and 8 of this Note it is virtually certain that all the cotton exported under the present agreement will go to China as swiftly as possible.

5. 60,000 tons of steel is only about 2-3% of China's estimated production for 1955. Its significance, however, lies in the fact that this is the first time China has made serious offers on this scale to export steel. Assuming that the Chinese prices are much the same as current U.K., Continental and Japanese export prices for similar types and sizes of steel, it is noteworthy that these prices are far below Chinese internal prices, the difference being very much greater than the 12-15% difference between U.K. home and export prices.

6. Since China needs cotton badly, and since she is currently importing steel from both the Soviet bloc and the West, it is arguable that the steel for Egypt will not be of Chinese manufacture. (A similar process of re-exporting newly imported goods was recently adopted by China when obtaining rice from Burma). On the other hand China's steel industry is new and expanding, whereas her steel-using industries have not developed far or evenly, so that production may have run ahead of consumption sufficiently to permit modest exports. On this assumption China would tend to have a surplus of simple types of easily-fabricated steel such as is used in construction work and a shortage of the more complex types. It would moreover be uneconomic for China to import Western or Soviet bloc steel for re-export to a country so far distant as Egypt. However, the facts are too meagre to refute the argument that China's steel exports to Egypt may be re-exports.

Motives for the Agreement

7. From the Chinese side the agreement mainly reflects China's current economic priorities*. She undoubtedly needs cotton more than steel as an immediate want. Her steel output continues to rise satisfactorily, whereas her output of cotton, in which she was not entirely self-sufficient even in the peak production year of 1952, fell in both 1953 and 1954 and is unlikely to regain the 1952 level of 1.3m. tons in 1955. (This would in any case still fail to keep pace with the intervening rise in population of over 30 million). During 1955 China has negotiated for high and low quality cotton from eight different countries, including India and Pakistan.

8. Egypt is eager to sell. Her cotton exports have lagged this year - and would in fact have lagged more but for a substantial rise in sales to Eastern Europe.

9. Thus China is a willing (though far from affluent) buyer and Egypt a willing seller. Yet the value and volume of goods involved in the agreement are unspectacular. This suggests that the political element in the agreement is secondary to the economic. Politically the Chinese no doubt intend to show:

- (a) that China is a good market, especially for exporters allegedly affected by U.S. "dumping";
- (b) that China is already an industrial power capable of exporting steel.

16th September, 1955

* This also has some bearing on the argument in para.6.

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F

FAR EASTERN DEPARTMENT

1955CHINA ²**FC 11316/12.**FROM British Embassy,
Cairo.Establishment of an Egyptian Commercial
office in Peking.

No. CS123/18/14/55.

Dated 5-10-55.

Received in
Registry— 12-10-55.

Comments on an announcement
in the press, which said that
— the Egyptian Ministry of Foreign
Affairs had already taken the
necessary steps to establish an
Egyptian commercial office in Peking.

MINUTES

References to former relevant papers

6.
5.

Copy to J.I.B. (Mr. Jeffes).

The Egyptians are not wasting any
time.

Thompson Dept.
R.H.

R.D. Nier
13/10

eotw 1/12.

(Print)

(How disposed of)

4/11/55 J.I.B. 13/10

(Action
completed)

8/11/55
20/10

(Index)

in 11
12/2/57

References to later relevant papers

11316

47524

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Ref:		THE NATIONAL ARCHIVES	
FO 371 / 115093			
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CS 123/18/14/55



BRITISH EMBASSY, F

CAIRO.

October 5, 1955

FC 11316/12.

Dear Department,

With reference to our Tel. No. 1127 of August 26, 1955.

It was announced in the press on September 27 that the Egyptian Ministry of Foreign Affairs had already taken the necessary steps to establish an Egyptian commercial office in Peking.

2. This office would be staffed by a Commercial Counsellor, a Commercial Attaché and an archivist to begin with. Mr Midhat El Far, Deputy Director of the Department of Economic Affairs at the Ministry of Foreign Affairs will be the first Commercial Counsellor, according to the announcement in the press.

3. We intend to make contact with Mr. El Far and will let you and the other recipients of this letter have some details about him.

4. We are sending a copy of this letter to the Treasury, Commercial Relations and Exports Department of the Board of Trade and to the Commercial Dept. at Peking.

Yours ever,

COMMERCIAL DEPARTMENT

African Department,
Foreign Office,
LONDON S.W.1.

LMM/GO

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1955

F
FAR EASTERN DEPARTMENT

CHINA

FC 11316/13.

FROM New China
News Agency.
Peking.

Sino-Egyptian Trade Agreement
Approved.

No. —

Dated 14-10-55.

Received in
Registry— 22-10-55.

Gives the text of the approved
agreement.

References to former relevant papers

+10
-13
-14
-15.

MINUTES

for submission.

27/10

LIBRARY 31/7/1956

G.W.S. 2/8/56

(Print)

(How disposed of)

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(Index)

29/7

19/2/57

References to later relevant papers

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FC 11316/13
-12-TWO MILLION COPIES OF LU HSUN'S WORKS PRINTED

PEKING October 19 - Over 2 million copies of 38 of Lu Hsun's works have been put out by the People's Literature Publishing House in the past 4 years. This is far above the total printed during 20 years before liberation. The 19th anniversary of the death of Lu Hsun, father of modern Chinese literature, falls today.

This year, the second edition of Lu Hsun's "The True Story of A" was put out in 100,000 copies. The collection of his short stories ran to 4 prints. New annotated editions of other works by Lu Hsun will come off the press this year.

English versions of selected stories of Lu Hsun and his "True Ah Q" have been published.

SINO-EGYPTIAN TRADE AGREEMENT APPROVED

PEKING October 14 - The trade agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt has been approved by the two Governments. The text of the agreement reads:

The Government of the People's Republic of China and the Government of the Republic of Egypt, for the purpose of strengthening the friendship between the Governments and peoples of China and Egypt, of enhancing the economic co-operation between the two countries, and of developing the trade relations between the two countries, have concluded the trade agreement as follows:

Article One. Both Governments cherish the same desire of reaching a balance of imports and exports in the trade between China and Egypt and will do their utmost to promote and enlarge the trade between the two countries. During the validity of this agreement, both parties shall negotiate and fix the volume of trade for the following year three months before the end of each agreement year.

Article Two. Both parties agree that the respective list of exports to the other country is made out into two annexed schedules "A" and "B", and these two schedules are inseparable parts of this agreement. Both Governments shall issue, subject to the laws and regulations of the two countries being in force, the necessary import and export licences to the commodities listed in the annexed schedules "A" and "B". This agreement shall not preclude the trade in commodities not mentioned in the annexed schedules "A" and "B".

Article Three. Both parties agree to grant each other the most favoured nation treatment in respect of issuing export and import licences and of levying custom duties with the following exception.

(a) Special advantages which the Government of the People's Republic of China has granted, or may grant in the future, to any of the neighbouring countries.

(b) Special advantages which the Government of the Republic of Egypt has granted, or may grant in the future, to any of the Arab and neighbouring countries.

(c) Prohibitions or restrictions imposed for the protection of public health or protection of plants or animals against diseases, degeneration or extinction.

(continued)

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		FO 371 / 115093					

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NEW CHINA NEWS AGENCY

Thursday, October 20, 1955

JAPANESE DIET MISSION ARRIVES IN PYONGYANG

PYONGYANG October 19 - A Japanese Diet mission arrived here by plane yesterday. The mission was invited by Lee Yung, Chairman of the Supreme People's Assembly of the Democratic People's Republic of Korea.

Led by Sadao Furuya, the mission members are Shigeru Hara, Mitsuji Nagaoka, Takatsu Seido, Tamotsu Hasegawa, Ryosaku Sasaki, Einosuke Maeda, and Hisato Ishino.

In a speech of welcome at the airfield, Hong Ki Whan, Vice-Chairman of the Korean Supreme People's Assembly said: "We are firmly convinced that mutual visits and contacts between Parliamentary members and state activists are one of the best ways toward a better understanding of the true aspirations and sentiments of a people and country and an atmosphere of mutual confidence which is vitally necessary at the present time." He expressed confidence that the visit of the Japanese Diet members to Korea would greatly help to improve relations between the two countries in the future.

Sadao Furuya thanked the Korean Supreme People's Assembly and the Korean people for the welcome extended. He expressed regret that mutual friendship and intercourse between Japan and Korea had been hampered, despite the fact that the two countries were neighbours. He hoped that this visit would contribute to the well being and peace of the peoples of the two countries and lasting peace in Asia and the world.

The Chairman of the Korean Supreme People's Assembly Lee Yung, received the members of the mission yesterday and gave a banquet in their honour the same evening.

WORLD JOURNALISTS MEETING IN SOFIA

SOFIA October 19 - The Executive Committee of the International Organisation of Journalists held a two-day meeting here ending yesterday. It was attended by representatives and guests from 20 countries.

Jaroslav Knobloch (Czechoslovakia), General-Secretary of the organisation, made the report summarising the work of the organisation. He said that it had become the biggest international journalists organisation, having a total membership of over 60,000 in 51 countries.

The meeting adopted a resolution approving a number of measures taken by the Secretariat of the organisation aimed at opening negotiations with the International Federation of Journalists to establish co-operation with it and restore the unity of the journalists of the world.

The Executive Committee also decided to withdraw its former resolution of expelling the Yugoslavia Journalists Union from the organisation.

Attending the meeting on behalf of China were Li Ping-chuan and Chen Li-ang.

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NEW CHINA NEWS AGENCY

Thursday, October 20, 1955

SINO-EGYPTIAN TRADE AGREEMENT APPROVED (continued)

Article Four. In the absence of a payments agreement between the two countries, payments between the two countries shall be effected by irrevocable letters of credit in transferable pounds sterling or in any other currency acceptable to both parties. Such letters of credit shall be opened before shipments are made, by the authorized foreign exchange banks in the territories of the two countries directly with each other. Reimbursement will be effected in the usual manner.

In case exports from Egypt to China are paid for by China in transferable pounds sterling, such payments will benefit from the "import entitlement account procedure" in accordance with the prevailing regulations in Egypt.

Article Five. Both parties agree that the terms of commodity inspection and arbitration will be specified in each individual contract.

Article Six. For the purpose of developing the trade between the two countries, both Governments agree that the Government of the People's Republic of China will establish an office of commercial representative of the Government of the People's Republic of China in the Republic of Egypt, and that the Government of the Republic of Egypt will establish an office of commercial representative of the Government of the Republic of Egypt in the People's Republic of China. Both Governments also agree to accord the office of commercial representative of the other party courtesies, security, protection and all facilities for carrying out their works.

Article Seven. Both parties agree to hold commodity exhibitions in each other's country and to extend to the other party within the laws and regulations all kinds of facilities for holding such commodity exhibitions.

Article Eight. In matters concerning banking and insurance, preference should be given to national companies of either contracting party. Choice of commercial business agents shall be restricted to nationals of China and Egypt.

Article Nine. This agreement shall come into force after the approval of the two Governments and shall remain in force for a period of 3 years. This agreement may be extended or amended by the negotiations of both parties three months before its expiration.

This agreement is signed in Peking this 22nd day of August 1955, in two copies, each written in the Chinese, Arabic and English languages, and three texts being equally authentic.

(Signed) Yeh Chi-chuang.

For the Government of the People's Republic of China.

(Signed) Mohamed Abou Nousseir

For the Government of the Republic of Egypt.

Schedule "A"

List of exports from the People's Republic of China to the Republic of Egypt.

1. Steel materials including:

(continued)

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SINO-EGYPTIAN TRADE AGREEMENT APPROVED (continued)

Square steel bar, round steel bar, flat steel bar, angle steel bar and various kinds of construction steel.

2. Machineries including:

(1) Metal-cutting machines including; shaper, horizontal boring machine, lathe, milling machine and other machine tools.

(2) Forging and pressing machineries including:

Pneumatic hammer, pressing machine, punching machine, shearing machine and others.

(3) Construction machineries including: various kinds of cranes, cement mixing machine, road marshall and other power-generating machines.

(4) Mining machineries including: hoists, crusher, various types of high pressure pumps, coal cutter and others.

(5) Textile machineries including: scutcher, carding machine, speed frame, various kinds of spinning spindles, automatic shuttle-changing loom and others.

(6) Complete plants including: complete cotton spinning and weaving mill, complete paper mill, complete sugar refinery and complete flour mill.

(7) Telecommunications apparatus including: automatic telephone, telephone exchange, long distance telephone exchange, receiver and transmitter, amplifier, telephone wire and others.

3. Building materials including:

Sanitary equipment, timber, plywood, ironwire, iron nail, glass, refractory materials, asbestos cement board and others.

4. Chemical raw materials including:

Soda ash, caustic soda, sodium sulphide, sulphur black, phenol, copper sulphate, monochlorobenzene, dinitrochlorobenzene, bleaching powder and others.

5. Sundry commodities including:

Paper, general merchandise, cultural supplies, enamelware, thermos flask, sewing machine, woollen cloth, leather products, domestic electric appliances and others.

6. Minerals including:

Alum, antimony, talc powder, talc lump, arsenic oxide, gypsum, orphiment.

7. Cereals, oils and fats including:

Soya-bean, groundnut kernel, pulses, vegetable oils and various kinds of oil-seeds and oils.

8. Animal by-products including:

Sheep, wool, cashmere, skins, carpet, sheep intestine and others.

9. Foodstuffs including:

Canned goods, frozen beef and mutton, egg products, vermicelli, walnut meat, apricot kernel, walnut, raisins, melon seed, lotus-seed, bees' honey, dried black fungus, dried lily and others.

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NEW CHINA NEWS AGENCY

Thursday, October 20, 1955

SINO-EGYPTIAN TRADE AGREEMENT APPROVED (continued)

10. Tea including:

Black tea, green tea, black brick tea and others.

11. Native produces including:

Hemp, ramie, tobacco leaves, rosin, white wax, bees' wax, liquorice, cassia lignea, star anise, menthol crystal, peppermint oil, musk, rhubarb, fennel, porcelain, handicrafts, straw braid and others.

12. Silk and silk piece goods including:

Raw silk, spun silk, yarn, doupin silk, raw silk piece goods, native silk piece goods, fuji silk and other silk piece goods.

Schedule "B"

List of exports from the Republic of Egypt to the People's Republic of China.

1. Raw Cotton.
2. Calcium superphosphate.

PROTOCOL TO SINO-EGYPTIAN TRADE ACCORD APPROVED

PEKING October 14 - The protocol to the trade agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt for the first agreement year has been approved by the two Governments. The text of the protocol reads:

According to the provisions of Article One of the trade agreement signed between the Government of the People's Republic of China and the Government of the Republic of Egypt (hereinafter called the trade agreement) this date, the following has been agreed upon for the first agreement year (a period of 12 months as from the date of its coming into force):

Article One. The People's Republic of China have definitely undertaken to purchase from Egypt cotton and other commodities as listed in Schedule "B" of the trade agreement for a total value of pounds sterling 10,000,000.

Purchases by the Republic of Egypt from China of Chinese commodities as listed in Schedule "A" of the trade agreement include:

- (a) Those covering the amount of pounds sterling 2,000,000 which have definitely been undertaken to be purchased, and
- (b) Those covering the amount of pounds sterling 8,000,000 subject to further discussions.

The Government of the Republic of Egypt will do their utmost to promote the trade between the two countries to such an extent that a balance of the trade may be reached.

Article Two. The two parties agree that the position of receipts and payments between the two countries shall be reviewed once every 3 months beginning from the date of the coming into force of the trade agreement. In the event of any disequilibrium being found, both parties agree to consult each other immediately in an endeavour to close the gap by the following measures:

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PROTOCOL TO SINO-EGYPTIAN TRADE ACCORD APPROVED (continued)

(a) Increase of imports from the deficit country by the country with favourable balance;

(b) Delivery by the deficit country to the other party of products of a third country;

(c) Transfer of credit balance held by the deficit country with a third country, subject to the agreement of all parties concerned;

(d) Delivery of exports from the deficit country to the other party for resale to a third country, subject to prior approval of the exporting country.

Article Three. In order to facilitate the ascertaining of the position of receipt and payments between the two countries, the exchange control authorities in the two countries shall maintain parallel memory accounts recording all the receipts and payments between the two countries. The technical details for maintaining such memory accounts shall be negotiated and arranged by the exchange control authorities of both parties.

Article Four. The kind, quality and price of commodities shall be acceptable to both contracting parties.

Article Five. This protocol shall come into force as from the date when the trade agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt becomes effective. This protocol is valid for one year and during its validity, it is an integral part of the trade agreement.

This protocol is signed in Peking this 22nd day of August 1955, in two copies, each written in the Chinese, Arabic and English languages and three texts being equally authentic.

(Signed) Yeh Chi-chuang

For the Government of the People's Republic of China.

(Signed) Mohamed Abou Nesseir

For the Government of the Republic of Egypt.

- - - - -

CHINESE ARTISTS PERFORM IN BULGARIA

SOFIA October 19 - The Chinese folk music and acrobatic troupe gave a performance here on the evening of October 17.

Among those present were leading members of the Bulgarian Communist Party and Government including G. Danyanov, G. Chankov, I. Mikhailov and G. Traikov and Bulgarian cultural figures.

Chinese Ambassador to Bulgaria Chou Chu-an and members of the diplomatic corps were also present.

At the end of the performance, representatives of the Bulgarian Ministry of Culture and the Bulgarian Liaison Committee for Friendship and Cultural Relations with Foreign Countries extended congratulations to the Chinese artists on their performance.

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FAR EASTERN DEPARTMENT

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113/6/16

1955

CHINA

FROM Mr. O'Neill Pehing
to Mr. MacmillanNo. 267 'E'
11210/11/55

Dated 27/10

Received in 22
Registry— 11

Transmits the text of de Lino - Egyptian trade agreement and trade protocol. States that China will export industrial products to obtain cotton from Egypt.

(Copied to Mr. Ambassador Cairo and to CR & ED of Board of Trade)

References to former relevant papers

10

MINUTES

Mr. O'Neill does not refer in his dispatch to our letter on the subject. His observations on the agreement are fairly cautious in tone and add little to what we have ourselves already submitted.

W. D. Bailey
23/11

(Print)

(How disposed of)

I agree. There is none of the advanced crystal-gazing here in which we have indulged.

W. D. Bailey
23/11

W. D. Bailey
23/11

(Action completed)

(Index)

W. D. Bailey
25/11

W. D. Bailey
19/12/57

References to later relevant papers

113/6

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BRITISH EMBASSY,

PEKING.

October 27, 1955.

RESTRICTED
No. 267 "E"
11210/11/55

Sir,

FC 11316/16

FC 11316/10

I have the honour to transmit to you herewith the texts of a Sino-Egyptian trade agreement and trade protocol, the signature of which in Peking on the 22nd of August was reported in my despatch No. 224 of the 14th of September. The texts have been published following the approval of the Agreement and protocol by both Governments.

2. The schedules of commodities attached to the Trade Agreement set out the goods for which export and import licences are to be granted by both countries. The list of Chinese exports contains many industrial products, including mining machinery, complete textile and paper mills, and telecommunications equipment, but you will see from Article 1 of the protocol covering the first year's trade under the Agreement that in the original negotiations in August no decision was reached on the composition of £8 million of the £10 million worth of goods which Egypt is supposed to buy from China during this period, and the matter was left over for further discussion. It may be that the Chinese are having difficulty, as in their arrangements with Ceylon and Burma, in finding goods among their normal list of exports which the Egyptians want, but that their need for cotton is such that they are prepared to export machinery which they are only just beginning to manufacture themselves and which they would prefer to use for their own Five Year Plan. Or the industrial products may be included in the list merely to impress the outside world with China's industrial progress and only token quantities may be exported. Until we see how trade under the Agreement is carried out such suggestions must be merely speculative.

3. I am sending copies of this despatch to Her Majesty's Ambassador in Cairo and to the Commercial Relations and Exports Department of the Board of Trade.

I have the honour to be, with the highest respect,
Sir,

Your obedient Servant,

C. Rais

The Right Honourable
Harold Macmillan, M.P.,
Foreign Office.

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THE NATIONAL ARCHIVES				FO 371 / 115093			
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Daily News Release

Edited and Published by

Hsinhua News Agency

Saturday
October 15
1955
No. 2,070
12 Pages

Chairman Mao Tse-tung Receives Fusanosuke Kuhara

PEKING, Oct. 14—Mao Tse-tung, Chairman of the Chinese People's Republic, today received Fusanosuke Kuhara, Chairman of the Japanese National Council for the Restoration of Diplomatic Relations with China and the Soviet Union.

Fusanosuke Kuhara was accompanied by Kan Majima, Tadayoshi Obata, Sadaichi Nishikawa, Tozaburo Kuhara and Fumiko Kuhara.

Chairman Mao Tse-tung had previously received Fusanosuke Kuhara on the afternoon of October 2.

Premier Chou En-lai was present on both occasions.

Chairman Mao Tse-tung Sees Japanese Performance

PEKING, Oct. 14—The Japanese Kabuki Troupe left here by special train for Shanghai this evening on a performance tour. It gave eight performances during its stay in the capital.

Chairman Mao Tse-tung, Chairman of the Standing Committee of the National People's Congress Liu Shao-chi, Premier Chou En-lai and other leaders of the country had seen the performances of the Japanese artistes.

After seeing the performance, Chairman Mao Tse-tung received Kunizo Matsuo, head, Ennosuke Ichikawa, chief actor and director, and Tomio Narasaki, deputy head, of the troupe and many leading actors.

Among those who saw the Japanese artistes off at the railway station here were: Yang Han-sheng, Vice-President of the Chinese People's Association for Cultural Relations with Foreign Countries; Tien Han, Chairman of the Union of Chinese Stage Artists, and many writers and artists.

While in Peking, the Japanese artistes attended the National Day celebrations, held talks with Chinese writers and artists. They also saw performances of Peking opera, modern opera, dancing and acrobatics. They visited the National Peking Opera Theatre, the Central Theatrical Institute of China and the Peking School of Dancing. They also visited exhibitions and places of historical interest.

The Kabuki troupe is being led by Ennosuke Ichikawa, chief actor and director, and Tomio Narasaki, deputy head, of the troupe, on its tour to Shanghai. Kunizo Matsuo, head of the troupe, will leave for home from Peking.

Premier Chou En-lai Receives Masao Tajima

PEKING, Oct. 14—Premier Chou En-lai received Masao Tajima, Head of the Japanese Industrial and Business Delegation, this morning.

Present on the occasion were Nan Han-chen, Chairman, Lei Jen-min and Li Chu-chen, vice-chairmen, of the China Committee for the Promotion of International Trade, and Lu Hsu-chang, member of the committee.

Premier Chou En-lai Receives Ceylonese Delegates

PEKING, Oct. 14—Premier Chou En-lai to-night received the members of the Trade Delegation of the Ceylonese Government. The delegation is headed by S. C. Shirley Corea, Ceylonese Minister of Commerce, Trade and Fisheries.

Present on the occasion were Li Che-jen, Acting Minister of Foreign Trade; Lei Jen-min, Vice-Minister of Foreign Trade; and Chang Han-fu, Vice-Minister of Foreign Affairs.

Soong Ching Ling Receives Japanese Visitors

PEKING, Oct. 14—Soong Ching Ling, Vice-Chairman of the Standing Committee of the National People's Congress, this morning received Fusanosuke Kuhara, Head of the Delegation to China of the Japanese National Council for the Restoration of Diplomatic Relations with China and the Soviet Union.

Kuhara was accompanied by his son Tozaburo and his daughter Fumiko.

Vice-Premier Receives German Women's Delegation

PEKING, Oct. 14—Vice-Premier Chen Yi this morning received the All-German Women's Delegation headed by Mme. Kathe Kern.

Present were Hsu Kuang-ping, Vice-President, and Tsao Meng-chun, member of the Secretariat, of the All-China Democratic Women's Federation; and Chen Po-ching, Deputy Director of the Department of the Soviet Union and East European Affairs of the Foreign Ministry.

Protocol to Sino-Egyptian Trade Accord Approved

PEKING, Oct. 14—The Protocol to the Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt for the first agreement year has been approved by the two governments. The text of the protocol reads:

According to the provisions of Article 1 of the Trade Agreement signed between the Government of the People's Republic of China and the Government of the Republic of Egypt (hereinafter called the Trade Agreement) this date, the following

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has been agreed upon for the first agreement year. (a period of 12 months as from the date of its coming into force):

Article 1.

The People's Republic of China have definitely undertaken to purchase from Egypt cotton and other commodities as listed in Schedule "B" of the Trade Agreement for a total value of Pounds Sterling 10 Million.

Purchases by the Republic of Egypt from China of Chinese commodities as listed in Schedule "A" of the Trade Agreement include:

(a) those covering the amount of Pounds Sterling Two Million which have definitely been undertaken to be purchased, and

(b) those covering the amount of Pounds Sterling Eight Million subject to further discussions.

The Government of the Republic of Egypt will do their utmost to promote the trade between the two countries to such an extent that a balance of the trade may be reached.

Article 2.

The two Parties agree that the position of receipts and payments between the two countries shall be reviewed once every three months beginning from the date of the coming into force of the Trade Agreement. In the event of any disequilibrium being found, both Parties agree to consult each other immediately in an endeavour to close the gap by the following measures:

(a) increase of imports from the deficit country by the country with favourable balance;

(b) delivery by the deficit country to the other Party of products of a third country;

(c) transfer of credit balance held by the deficit country with a third country, subject to the agreement of all parties concerned;

(d) delivery of exports from the deficit country to the other Party for re-sale to a third country, subject to prior approval of the exporting country.

Article 3.

In order to facilitate the ascertaining of the position of receipts and payments between the two countries, the Exchange Control Authorities in the two countries shall maintain parallel Memory Accounts recording all the receipts and payments between the two countries. The technical details for maintaining such Memory Accounts shall be negotiated and arranged by the Ex-

change Control Authorities of both Parties.

Article 4.

The kind, quality, and price of commodities shall be acceptable to both Contracting Parties.

Article 5.

This Protocol shall come into force as from the date when the Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt becomes effective. This Protocol is valid for one year and during its validity, it is an integral part of the Trade Agreement.

This Protocol is signed in Peking this 22nd day of August 1955, in two copies, each written in the Chinese, Arabic and English languages, and three texts being equally authentic.

(Signed) Yeh Chi-chuang

For the Government of the People's Republic of China;

(Signed) Mohamed Abou Nosseir

For the Government of the Republic of Egypt.

Sino-Egyptian Trade Agreement Approved

PEKING, Oct. 14—The Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Egypt has been approved by the two governments. The text of the agreement reads:

The Government of the People's Republic of China and the Government of the Republic of Egypt, for the purpose of strengthening the friendship between the Governments and peoples of China and Egypt, of enhancing the economic cooperation between the two countries, and of developing the trade relations between the two countries, have concluded the Trade Agreement as follows:

Article 1.

Both Governments cherish the same desire of reaching a balance of imports and exports in the trade between China and Egypt, and will do their utmost to promote and enlarge the trade between the two countries. During the validity of this Agreement, both Parties shall negotiate and fix the volume of trade for the following year three months before the end of each agreement year.

Article 2.

Both Parties agree that the respective list of exports to the other country is made out into two annex-

ed Schedules "A" and "B", and these two schedules are inseparable parts of this Agreement. Both Governments shall issue, subject to the laws and regulations of the two countries being in force, the necessary import and export licences to the commodities listed in the annexed Schedules "A" and "B". This Agreement shall not preclude the trade in commodities not mentioned in the annexed Schedules "A" and "B".

Article 3.

Both Parties agree to grant each other the most favoured nation treatment in respect of issuing export and import licences and of levying custom duties with the following exceptions:

(A) Special advantages which the Government of the People's Republic of China has granted, or may grant in the future, to any of the neighbouring countries.

(B) Special advantages which the Government of the Republic of Egypt has granted, or may grant in the future, to any of the Arab and neighbouring countries.

(C) Prohibitions or restrictions imposed for the protection of public health or protection of plants or animals against diseases, degeneration or extinction.

Article 4.

In the absence of a payments agreement between the two countries, payments between the two countries shall be effected by irrevocable letters of credit in Transferable Pounds Sterling or in any other currency acceptable to both Parties. Such letters of credit shall be opened before shipments are made, by the authorised foreign exchange banks in the territories of the two countries directly with each other. Reimbursement will be effected in the usual manner.

In case exports from Egypt to China are paid for by China in Transferable Pounds Sterling, such payments will benefit from the "Import Entitlement Account Procedure" in accordance with the prevailing regulations in Egypt.

Article 5.

Both Parties agree that the terms of commodity inspection and arbitration will be specified in each individual contract.

Article 6.

For the purpose of developing the trade between the two countries, both Governments agree that the Government of the People's Republic of China will establish an office of commercial representative of the

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ese Government has followed the United States in adopting a discriminatory policy of trade "embargo" against China, normal relations have not yet been re-established between China and Japan. Therefore, the implementation of the Sino-Japanese trade agreements is far from being satisfactory and the exchange of many commodities between China and Japan has been rendered impossible. As a result, the Japanese economy has suffered many unnecessary difficulties.

Nan Han-chen points out that there are many commodities exchangeable between China and Japan and that the two countries have adequate facilities for developing economic and trade contacts. China had in the past supplied large quantities of iron ore, coal, salt, soya beans, rice etc. needed by Japanese industry and the people's livelihood. With the development of China's industrial and agricultural production, commodities that can be shipped hereafter to Japan will continue to increase. At the same time, China needs many Japanese products such as iron and steel, machineries, power-generating equipment, ships, chemical materials, fertiliser, medicines and artificial silk.

China is engaged in large-scale economic construction and its market is both extensive and reliable, Nan Han-chen continues. It needs to import great varieties of machinery equipment and industrial materials. And in the course of industrial development, its economic relations and trade with foreign countries, instead of diminishing, will grow with each passing day and such relations will be many-sided. With the growth of the Chinese people's purchasing power, imports of daily necessities will also increase. That there are bright prospects for the economic and trade relations between China and Japan is not empty talk but is based on solid grounds.

Nan Han-chen says that imports by Japan of China's coal, iron ore, soya beans, rice and other commodities will be far cheaper. Such imports are profitable not only for Japanese industrial and financial circles but also to the broad masses of the Japanese people. Furthermore, they mean additional millions of tons of freight each year for Japanese shipping. The trade between China and Japan can surpass its peak historic record if the Japan-

ese side would carry on economic and trade intercourse on the basis of independence, equality and mutual benefit and in accordance with the requirements and possibilities of both sides. Such trade is beneficial to the economic development of China and Japan and the improvement of the people's livelihood.

Nan Han-chen expresses the hope that the forthcoming exhibition would serve to introduce to the Japanese people of all walks of life a general picture of China's traditional exports and a number of China's new products developed in the past six years. The exhibition is aimed at helping the Japanese people to understand the general picture in regard to China's export commodities and its import needs for economic construction with a view to creating conditions for developing the economic and trade relations between China and Japan and for increasing the friendship between the Chinese and Japanese peoples.

He concludes by saying that the Chinese people have always had sincere wishes for promoting friendship and economic and trade relations with the Japanese people. The China Committee for the Promotion of International Trade and other departments concerned have in the past few years made tireless efforts in this respect with the approval and support of the Chinese Government. He expresses his belief that with their efforts and those of Japanese industrial and business circles and people of other circles, the prospects for normalising the economic and trade relations between China and Japan will improve and grow with each passing day and that such prospects are very bright.

Japanese Industrialists Give Luncheon

PEKING, Oct. 14—The visiting Japanese Industrial and Business Delegation gave a luncheon here today on the eve of their departure.

Present at the luncheon were Nan Han-chen, Chairman, Lei Jen-min and Li Chu-chen, vice-chairmen, of the China Committee for the Promotion of International Trade. Togo Kameda, Kenta Kaneko and Kanemon Nakamura, Japanese personalities now in Peking, were also present.

Soviet Physical Culture Leader Leaves for Home

PEKING, Oct. 14—N.N. Romanov, Chairman of the Committee on Physical Culture and Sports of the Council of Ministers of the U.S.S.R., left here this morning for home after a fortnight's visit in China.

He was seen off at the airport by: Tsai Shu-fan and Jung Kao-tang, vice-chairmen of the Physical Culture and Sports Commission; Li Tsai-wen, member of the Secretariat of the All-China Federation of Trade Unions; representatives of the Sino-Soviet Friendship Association and members of the Soviet Embassy.

During his stay in China, he attended the first national workers' sports meet in Peking and visited sport institutions in Peking, Wuhan, Shanghai and Canton.

Soviet Red Cross Delegation Leaves for Home

PEKING, Oct. 14—The Delegation of the Alliance of Red Cross and Red Crescent Societies of the Soviet Union left here for Moscow by air today. It came to visit China and attended the National Day celebrations at the invitation of the Red Cross Society of China.

Among those seeing them off at the airport were Li Teh-chuan, President, and Hu Lan-sheng, Vice-President and Secretary-General, of the National Red Cross Society of China; and Tsui Yi-tien, Vice-Minister of Public Health.

Counsellor of the Soviet Embassy J. M. Lomakin was also at the airport.

During their stay in China, the members of the delegation visited factories, schools, Red Cross Society organisations and medical centres in Peking, Tientsin, Shanghai and Hangchow. They had talks and exchanged experiences with leading members of the Chinese Red Cross Society and the Ministry of Public Health. O. A. Miterev, head of the delegation, made reports on the work of the Soviet Red Cross to the Chinese Red Cross Society and medical workers in Peking and Shanghai, and inspected the Peking Soviet Red Cross Hospital.

The members of the delegation yesterday attended a farewell party given in their honour by the Na-

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FAR EASTERN DEPARTMENT

CHINA

FC 11316/17

1055

FROM *Sir H. Trevelyan*
Mr. MacmillanNo. 17(E)
C.S. 123/18/17/55

Dated 5/11/55

Received in
Registry—

Encloses a French version of the text of the trade agreement between Egypt and China signed in Peking on 22 August. Gives details of the agreement and comments on it.

(Copied to H.P. Treasury, C.R. & E.D. of Board of Trade, H.M. *Attribution* *Peking* *Charges d'affaires*)

References to former relevant papers

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MINUTES

This dispatch is devoted mainly to summarising the terms of the Sino-Egyptian Trade Agreement. Reference is made to our letter to Peking on the subject but the dispatch confines itself to the conclusions that the Chinese motives in signing the Agreement were partly political, involving an advance towards Egypt's recognition of Peking, and that the Agreement seems at first sight to be of greater value to Egypt than to China.

A. P. Murray
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No. 171 (E).
C.S. 123/18/17/55.



BRITISH EMBASSY,
CAIRO.

CONFIDENTIAL.

November 15, 1955.

FC 11316/17

Sir,

I enclose a French version published in the local press of the text of the Trade Agreement between Egypt and China signed in Peking on the 22nd August. The text consists of a main agreement which is to remain in force for three years and a subsidiary protocol which covers exchanges in the first year of the agreement. The main agreement itself is in the usual form with provision for consultation three months before the end of the year, on the pattern of trade in the following year. It is accompanied by two lists A (Exports from China) and B (Exports from Egypt) of goods to be exchanged between the two countries for which they undertake reciprocally to give the necessary import and export licences. Egypt is to export raw cotton and calcium and superphosphate. The list of Chinese exports to Egypt comprises iron and steel, machinery and engineering goods generally, road making machinery, mining and textile machinery, electrical machinery, complete mills for the production of paper, sugar refining and milling, telecommunication material, building materials, various chemicals, food stuffs and other miscellaneous products. The Agreement provides for reciprocal most favoured nation treatment, with the exception of special arrangements between China and surrounding countries, and between Egypt and surrounding countries and Arab League members. In the absence of a payments agreement between the two countries payments are to be effected by means of irrevocable credits opened in transferable sterling or in any other currency acceptable to both parties. The agreement also provides that Egypt will open an office for commercial representation in China and China shall open a similar office in Egypt, both Governments guaranteeing to provide the necessary facilities. Both parties also agree each to organise commercial exhibitions in the territory of the other. No mention is made of shipping, but Article 8 provides that banking and insurance transactions shall be confined for preference to national concerns of the two parties, and that the choice of commercial agents shall be limited to nationals of those two countries.

2. The additional protocol deals with exchanges during the first year of the agreement. The Chinese Government formally undertakes to buy cotton and other goods from the list attached to the main agreement, to a total value of £.10 million sterling. Egypt's purchases are divided into £2 million sterling allocated to firm purchases, and a further £8 million which is to be the subject of further negotiations. The £2 million firm purchases presumably relate to the purchase of 60,000 tons of steel from China representing an expenditure of about £2½ million, which has recently been authorised. Egypt promises to do its best to increase trade between the two countries, in such a way that the commercial exchanges are in equilibrium and the protocol specifies arrangements for maintaining the two sides of the agreement in balance, by which, in the event of disequilibrium, the parties are to negotiate on the corrective methods to be employed. These are listed as (a) an increase of imports by the country enjoying a favourable balance (b) the supply by the country in deficit to the other partner, of goods from a third country, (c) the transfer by the country in deficit of a favourable account with a third country (subject to the agreement of all the interested parties) or (d) delivery by the country in deficit of goods for re-export by the creditor country.

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The Right Honourable
Harold Macmillan, M.P.,
Foreign Office,
LONDON, S.W.1.

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3. The balance of trade has hitherto always been heavily in favour of Egypt, which has exported considerable amounts of cotton to China and taken very little in exchange. The Minister of Commerce has given me to understand that he will be able to get payment in sterling for the whole value of Egypt's exports not covered by the purchase of steel. He evidently regards the bargain as highly satisfactory. It seems very doubtful whether China will be able to supply for some time significant quantities of the goods listed in the agreement for export to Egypt, and, even if so, whether they would be of a quality to find a welcome in the Egyptian market, which is used to a very high standard of manufactured goods with highly competitive prices and delivery dates. At first sight therefore the agreement seems to be of greater value to Egypt than to China, though certain economic advantages to China have been suggested in the paper enclosed with Far Eastern Department's letter FC 11316/10 of the 11th of October to the Chancery at Peking. Chinese motives in signing the agreement are no doubt partly political. The Chinese now have the agreement of the Egyptian Government to the exchange of Commercial Representatives and the establishment of commercial offices in both countries, and no doubt regard this as a step towards Egypt's recognition of the Chinese Government.

4. I am sending a copy of this despatch to Her Majesty's Treasury, Commercial Relations and Exports Department, Board of Trade; Her Majesty's Ambassador, Washington; Her Majesty's Chargé d'Affaires, Peking.

I have the honour to be,
With the highest respect,
Sir,
Your obedient Servant.

Humphrey Jennings

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La Bourse Egyptienne
dated 17 October 1955.

Texte complet de l'accord commercial égypto-chinois

Voici le texte intégral de l'accord de commerce signé entre l'Egypte et la Chine :

"Dans le but de renforcer les relations entre les gouvernements et les peuples d'Egypte et de la Chine, de resserrer la coopération économique entre les deux pays et de promouvoir les relations commerciales entre eux, les deux gouvernements ont conclu l'accord de commerce suivant :

Art. 1er. — Les deux gouvernements s'efforceront d'équilibrer le commerce extérieur entre l'Egypte et la Chine et feront en sorte de développer le commerce entre les deux pays. Les deux parties entreront en négociations dans le courant de la période de validité de cet accord pour fixer au moins trois mois avant l'expiration de chaque année de l'accord la portée des échanges de l'année suivante.

Art. 2. — Les deux parties se sont mises d'accord pour établir la liste des marchandises échangées sous forme de listes "A" et "B" qui sont annexées à l'accord et qui en font partie intégrante. Les deux gouvernements émettront, conformément aux lois et règlements en vigueur dans chacun des deux pays, les permis d'importation et d'exportation nécessaires pour les marchandises figurant sur les listes "A" et "B". Ce qui précède ne limite cependant pas le commerce entre les deux pays aux marchandises indiquées sur ces listes.

Art. 3. — Les deux parties ont convenu de s'accorder réciproquement le traitement de la nation la plus favorisée en ce qui concerne l'octroi des permis d'exportation et d'importation et la perception des droits de douane et ce à l'exception :

- 1) des privilèges accordés ou qui seront accordés par le gouvernement de la Chine Populaire aux pays limitrophes;
- 2) des privilèges accordés ou qui seront accordés par le gouvernement de la République d'Egypte aux pays arabes et aux pays limitrophes.

3) des restrictions générales imposées en vue de la protection de la santé publique et celle des plantes et des animaux contre les maladies parasitaires.

Art. 4. — En l'absence d'un accord de paiement entre les deux pays, les paiements s'effectueront au moyen d'ouvertures de crédit irrévocables ouvertes en livres sterling transférables ou en toute autre devise admise par les deux parties.

L'ouverture de crédit s'effectuera avant l'expédition et par l'entremise directe des banques accréditées pour les opérations de change dans les deux pays. Le règlement aura lieu conformément aux procédés habituels.

Si la Chine procède au règlement des exportations égyptiennes en livres sterling transférables, ces règlements jouiront du régime de l'Entitlement Account tel qu'appliqué en Egypte.

Art. 5. — Les deux parties ont convenu que l'expertise technique et l'arbitrage seront prévus séparément dans chaque contrat.

Art. 6. — Dans le but de développer le commerce entre les deux pays, les deux parties ont convenu que le gouvernement de la République d'Egypte ouvrira un bureau de représentation commerciale en Chine Populaire; de même, le gouvernement de la Chine Populaire créera un bureau de représentation commerciale en Egypte. Les deux gouvernements ont également convenu d'accorder mutuellement aux bureaux de représentation commerciale toute l'aide, la protection et les facilités nécessaires à l'accomplissement de leurs missions.

Art. 7. — Chacune des parties contractantes a convenu d'organiser sur le territoire de l'autre partie des expositions commerciales et accordera, dans le cadre des lois et règlements en vigueur, toutes les facilités nécessaires à leur installation.

Art. 8. — La préférence sera accordée aux sociétés nationales des deux parties contractantes en ce qui concerne les opérations bancaires et d'assurances. Le choix des agents de commerce est limité en Egypte et en Chine aux ressortissants des deux pays.

Art. 9. — Cet accord entrera en vigueur après l'accord des deux gouvernements et sera maintenu en vigueur pendant trois mois. Il pourra être prorogé ou modifié à la suite de négociations conclues entre les deux parties trois mois avant son expiration.

Liste "A": Exportations de la Chine à l'Egypte

La liste "A" des produits à exporter de Chine en Egypte comporte du fer et de l'acier en barres, lingots, etc., la tôle et le fer de construction; des machines et du matériel d'équipement, notamment des machines outils, des forges, des presses, des grues, malaxeurs de ciment, machines pour la construction des routes, des génératrices, des machines pour les travaux de mines, des machines textiles, des usines complètes pour la filature et le tissage du coton la fabrication du papier, le raffinage du sucre et la fabrication de la farine; des appareils de télécommunications; des matériaux de construction; articles sanitaires, bois, fer, asbeste-ciment, etc.; des produits chimiques bruts, tels que soude caustique, phénol; sulfate de cuivre, etc.; des articles divers tels que papiers, articles en émail, thermos, machines à coudre, lainages, articles en cuir, appareillage électrique, etc.; des produits miniers tels que l'alun, l'antimoine, la poudre de talc, la gypse, etc.; des céréales, huiles et corps gras; des sous-produits animaux; des produits alimentaires; du thé; des produits tels que ramie, feuilles de tabac, cire, musc, porcelaine, etc.; de la soie et des soieries.

Liste "B": Exportations de l'Egypte à la Chine

La liste "B" des exportations d'Egypte en Chine comprend le coton faisant partie intégrante de l'accord brut et le superphosphate de chaux commercial.

Protocole additionnel

Un protocole en annexe à l'accord réglemente les transactions au cours de la première année de l'accord. En voici le texte :

Conformément aux dispositions de l'art. 1er de l'accord commercial conclu entre le gouvernement de la République d'Egypte et le gouvernement de la Chine Populaire en date de ce jour, dénommé ci-après "accord commercial", il a été convenu ce qui suit en ce qui concerne la première année de l'accord (dont la durée est de douze mois commençant à partir de la mise en vigueur de cet accord) :

Art. 1er. — Le gouvernement de la Chine Populaire s'engage formellement à acheter de l'Egypte du coton et d'autres marchandises figurant sur la liste "B" en annexe à l'accord commercial, pour une valeur totale de dix millions de livres sterling (L.St. 10.000.000). Les achats effectués en Chine par la République d'Egypte porteront sur des marchandises chinoises figurant sur la liste "A" en annexe à l'accord commercial et porteront sur les montants suivants :

a) deux millions de livres sterling (L.St. 2.000.000) affectés à des achats fermes;

b) huit millions de livres sterling (L.St. 8.000.000) qui feront l'objet de négociations ultérieures.

Le gouvernement de la République d'Egypte fera de son mieux pour développer le commerce entre les deux pays de manière à permettre un commerce équilibré.

Art. 2. — Les deux parties ont convenu que la position statistique des paiements entre les deux pays sera passée en revue tous les trois mois à dater de la mise en vigueur de l'accord commercial. Dans le cas où un déséquilibre de la position serait constaté, les deux parties entreraient immédiatement en négociation en vue d'établir un équilibre par les moyens suivants :

a) augmentation des importations du pays dont la position est favorable par rapport à l'autre pays;

b) livraison de produits par un pays tiers à l'autre partie contractante par l'intermédiaire du pays dont la position est déficitaire;

c) transfert d'un compte créditeur auprès d'un pays tiers pour compte du pays dont la position est déficitaire, sous réserve de l'accord de toutes les parties intéressées.

d) livraison d'exportations du pays dont la position est déficitaire à l'autre partie contractante, pour être vendues à un pays tiers, sous réserve de l'acceptation préalable du pays exportateur.

Art. 3. — En vue de faciliter l'examen de la position des paiements entre les deux pays, les autorités du contrôle des changes de chacune des parties contractantes tiendront des comptes-mémoires dans lesquels elles inscriront la totalité des paiements entre les deux pays. Les autorités précitées organiseront les détails de la tenue de ces comptes-mémoires.

Art. 4. — La qualité, le genre et le prix des marchandises devront être agréés par chacune des parties au contrat.

Art. 5. — Ce protocole entre en vigueur le jour de la mise en application de l'accord commercial conclu entre le Gouvernement de la République d'Egypte et le gouvernement de la République de la Chine Populaire.

Ce protocole reste en vigueur pour la durée d'une année et sera considéré pendant cette période comme faisant partie intégrante de l'accord commercial.

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No. 171 (E).
C.S. 123/18/17/55.

BRITISH EMBASSY,
CAIRO.

November 15, 1955.

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Sir,

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2. The additional protocol deals with exchanges during the first year of the agreement. The Chinese Government formally undertakes to buy cotton and other goods from the list attached to the main agreement, to a total value of £.10 million sterling. Egypt's purchases are divided into £2 million sterling allocated to firm purchases, and a further £8 million which is to be the subject of further negotiations. The £2 million firm purchases presumably relate to the purchase of 60,000 tons of steel from China representing an expenditure of about £2½ million, which has recently been authorised. Egypt promises to do its best to increase trade between the two countries, in such a way that the commercial exchanges are in equilibrium and the protocol specifies arrangements for maintaining the two sides of the agreement in balance, by which, in the event of disequilibrium, the parties are to negotiate on the corrective methods to be employed. These are listed as (a) an increase of imports by the country enjoying a favourable balance (b) the supply by the country in deficit to the other partner, of goods from a third country, (c) the transfer by the country in deficit of a favourable account with a third country (subject to the agreement of all the interested parties) or (d) delivery by the country in deficit of goods for re-export by the creditor country.

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The Right Honourable
Harold Macmillan, M.P.,
Foreign Office,
LONDON, S.W.1.

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3. The balance of trade has hitherto always been heavily in favour of Egypt, which has exported considerable amounts of cotton to China and taken very little in exchange. The Minister of Commerce has given me to understand that he will be able to get payment in sterling for the whole value of Egypt's exports not covered by the purchase of steel. He evidently regards the bargain as highly satisfactory. It seems very doubtful whether China will be able to supply for some time significant quantities of the goods listed in the agreement for export to Egypt, and, even if so, whether they would be of a quality to find a welcome in the Egyptian market, which is used to a very high standard of manufactured goods with highly competitive prices and delivery dates. At first sight therefore the agreement seems to be of greater value to Egypt than to China, though certain economic advantages to China have been suggested in the paper enclosed with Far Eastern Department's letter FC 11316/10 of the 11th of October to the Chancery at Peking. Chinese motives in signing the agreement are no doubt partly political. The Chinese now have the agreement of the Egyptian Government to the exchange of Commercial Representatives and the establishment of commercial offices in both countries, and no doubt regard this as a step towards Egypt's recognition of the Chinese Government.

4. I am sending a copy of this despatch to Her Majesty's Treasury, Commercial Relations and Exports Department, Board of Trade; Her Majesty's Ambassador, Washington; Her Majesty's Chargé d'Affaires, Peking.

I have the honour to be,
With the highest respect,
Sir,
Your obedient Servant.

Rumphrey Trevelyan.

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BRITISH EMBASSY,

CAIRO.

November 15, 1955.

Sir,

I enclose a French version published in the local press of the text of the Trade Agreement between Egypt and China signed in Peking on the 22nd August. The text consists of a main agreement which is to remain in force for three years and a subsidiary protocol which covers exchanges in the first year of the agreement. The main agreement itself is in the usual form with provision for consultation three months before the end of the year, on the pattern of trade in the following year. It is accompanied by two lists A (Exports from China) and B (Exports from Egypt) of goods to be exchanged between the two countries for which they undertake reciprocally to give the necessary import and export licences. Egypt is to export raw cotton and calcium and superphosphate. The list of Chinese exports to Egypt comprises iron and steel, machinery and engineering goods generally, road making machinery, mining and textile machinery, electrical machinery, complete mills for the production of paper, sugar refining and milling, telecommunication material, building materials, various chemicals, food stuffs and other miscellaneous products. The Agreement provides for reciprocal most favoured nation treatment, with the exception of special arrangements between China and surrounding countries, and between Egypt and surrounding countries and Arab League members. In the absence of a payments agreement between the two countries payments are to be effected by means of irrevocable credits opened in transferable sterling or in any other currency acceptable to both parties. The agreement also provides that Egypt will open an office for commercial representation in China and China shall open a similar office in Egypt, both Governments guaranteeing to provide the necessary facilities. Both parties also agree each to organise commercial exhibitions in the territory of the other. No mention is made of shipping, but Article 8 provides that banking and insurance transactions shall be confined for preference to national concerns of the two parties, and that the choice of commercial agents shall be limited to nationals of those two countries.

2. The additional protocol deals with exchanges during the first year of the agreement. The Chinese Government formally undertakes to buy cotton and other goods from the list attached to the main agreement, to a total value of £.10 million sterling. Egypt's purchases are divided into £2 million sterling allocated to firm purchases, and a further £8 million which is to be the subject of further negotiations. The £2 million firm purchases presumably relate to the purchase of 60,000 tons of steel from China representing an expenditure of about £2½ million, which has recently been authorised. Egypt promises to do its best to increase trade between the two countries, in such a way that the commercial exchanges are in equilibrium and the protocol specifies arrangements for maintaining the two sides of the agreement in balance, by which, in the event of disequilibrium, the parties are to negotiate on the corrective methods to be employed. These are listed as (a) an increase of imports by the country enjoying a favourable balance (b) the supply by the country in deficit to the other partner, of goods from a third country, (c) the transfer by the country in deficit of a favourable account with a third country (subject to the agreement of all the interested parties) or (d) delivery by the country in deficit of goods for re-export by the creditor country.

3/...

The Right Honourable
Harold Macmillan, M.P.,
Foreign Office,
LONDON, S.W.1.

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- 2 -

3. The balance of trade has hitherto always been heavily in favour of Egypt, which has exported considerable amounts of cotton to China and taken very little in exchange. The Minister of Commerce has given me to understand that he will be able to get payment in sterling for the whole value of Egypt's exports not covered by the purchase of steel. He evidently regards the bargain as highly satisfactory. It seems very doubtful whether China will be able to supply for some time significant quantities of the goods listed in the agreement for export to Egypt, and, even if so, whether they would be of a quality to find a welcome in the Egyptian market, which is used to a very high standard of manufactured goods with highly competitive prices and delivery times. At first sight therefore the agreement seems to be of greater value to Egypt than to China, though certain economic advantages to China have been suggested in the paper enclosed with Far Eastern Department's letter FC 11516/10 of the 11th of October to the Consulate at Peking. The motives in signing the agreement are no doubt partly political. The Chinese Government now have the agreement of the Egyptian Government to the exchange of Commercial Representatives and the establishment of commercial offices in each other's countries, and no doubt regard this as a step towards Egypt's recognition of the Chinese Government.

4. I am sending a copy of this despatch to Her Majesty's Treasury, Foreign Office, Board of Trade; Her Majesty's Ambassador, Washington;

Her Majesty's Treasury, Foreign Office, Board of Trade; Her Majesty's Ambassador, Peking.

I have the honour to be,
with the highest respect,
Sir,
Your obedient servant.

Ralphrey Trevelyan.

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No.171 (E).
C.S.123/18/17/55.

BRITISH EMBASSY,

CAIRO.

CONFIDENTIAL.

November 15, 1955.

Sir,

I enclose a French version published in the local press of the text of the Trade Agreement between Egypt and China signed in Peking on the 22nd August. The text consists of a main agreement which is to remain in force for three years and a subsidiary protocol which covers exchanges in the first year of the agreement. The main agreement itself is in the usual form with provision for consultation three months before the end of the year, on the pattern of trade in the following year. It is accompanied by two lists A (Exports from China) and B (Exports from Egypt) of goods to be exchanged between the two countries for which they undertake reciprocally to give the necessary import and export licences. Egypt is to export raw cotton and calcium and superphosphate. The list of Chinese exports to Egypt comprises iron and steel, machinery and engineering goods generally, road making machinery, mining and textile machinery, electrical machinery, complete mills for the production of paper, sugar refining and milling, telecommunication material, building materials, various chemicals, food stuffs and other miscellaneous products. The Agreement provides for reciprocal most favoured nation treatment, with the exception of special arrangements between China and surrounding countries, and between Egypt and surrounding countries and Arab League members. In the absence of a payments agreement between the two countries payments are to be effected by means of irrevocable credits opened in transferable sterling or in any other currency acceptable to both parties. The agreement also provides that Egypt will open an office for commercial representation in China and China shall open a similar office in Egypt, both Governments guaranteeing to provide the necessary facilities. Both parties also agree each to organise commercial exhibitions in the territory of the other. No mention is made of shipping, but Article 8 provides that banking and insurance transactions shall be confined for preference to national concerns of the two parties, and that the choice of commercial agents shall be limited to nationals of these two countries.

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3/...

The Right Honourable
Harold Macmillan, M.P.,
Foreign Office,
LONDON, S.W.1.

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4. I am sending a copy of this despatch to Her Majesty's Treasury, Commercial Relations and Exports Department, Board of Trade; Her Majesty's Ambassador, Washington; Her Majesty's Chargé d'Affaires, Peking.

I have the honour to be,
With the highest respect,
Sir,
Your obedient Servant.

Humphrey Trevelyan.

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La Bourse Egyptienne
dated 17 October 1955.

Texte complet de l'accord commercial égypto-chinois

Voici le texte intégral de l'accord de commerce signé entre l'Egypte et la Chine :

"Dans le but de renforcer les relations entre les gouvernements et les peuples d'Egypte et de la Chine, de resserrer la coopération économique entre les deux pays et de promouvoir les relations commerciales entre eux, les deux gouvernements ont conclu l'accord de commerce suivant :

Art. 1er. — Les deux gouvernements s'efforceront d'équilibrer le commerce extérieur entre l'Egypte et la Chine et feront en sorte de développer le commerce entre les deux pays. Les deux parties entreront en négociations dans le courant de la période de validité de cet accord pour fixer au moins trois mois avant l'expiration de chaque année de l'accord la portée des échanges de l'année suivante.

Art. 2. — Les deux parties se sont mises d'accord pour établir la liste des marchandises échangées sous forme de listes "A" et "B" qui sont annexées à l'accord et qui en font partie intégrante. Les deux gouvernements émettront, conformément aux lois et règlements en vigueur dans chacun des deux pays, les permis d'importation et d'exportation nécessaires pour les marchandises figurant sur les listes "A" et "B". Ce qui précède ne limite cependant pas le commerce entre les deux pays aux marchandises indiquées sur ces listes.

Art. 3. — Les deux parties ont convenu de s'accorder réciproquement le traitement de la nation la plus favorisée en ce qui concerne l'octroi des permis d'exportation et d'importation et la perception des droits de douane et ce à l'exception :

- 1) des privilèges accordés ou qui seront accordés par le gouvernement de la Chine Populaire aux pays limitrophes;
- 2) des privilèges accordés ou qui seront accordés par le gouvernement de la République d'Egypte aux pays arabes et aux pays limitrophes.

3) des restrictions générales imposées en vue de la protection de la santé publique et celle des plantes et des animaux contre les maladies parasitaires.

Art. 4. — En l'absence d'un accord de paiement entre les deux pays, les paiements s'effectueront au moyen d'ouvertures de crédit irrévocables ouvertes en livres sterling transférables ou en toute autre devise admise par les deux parties.

L'ouverture de crédit s'effectuera avant l'expédition et par l'entremise directe des banques accréditées pour les opérations de change dans les deux pays. Le règlement aura lieu conformément aux procédés habituels.

Si la Chine procède au règlement des exportations égyptiennes en livres sterling transférables, ces règlements jouiront du régime de l'Entitlement Account tel qu'appliqué en Egypte.

Art. 5. — Les deux parties ont convenu que l'expertise technique et l'arbitrage seront prévus séparément dans chaque contrat.

Art. 6. — Dans le but de développer le commerce entre les deux pays, les deux parties ont convenu que le gouvernement de la République d'Egypte ouvrira un bureau de représentation commerciale en Chine Populaire; de même, le gouvernement de la Chine Populaire créera un bureau de représentation commerciale en Egypte. Les deux gouvernements ont également convenu d'accorder mutuellement aux bureaux de représentation commerciale toute l'aide, la protection et les facilités nécessaires à l'accomplissement de leurs missions.

Art. 7. — Chacune des parties contractantes a convenu d'organiser sur le territoire de l'autre partie des expositions commerciales et accordera, dans le cadre des lois et règlements en vigueur, toutes les facilités nécessaires à leur installation.

Art. 8. — La préférence sera accordée aux sociétés nationales des deux parties contractantes en ce qui concerne les opérations bancaires et d'assurances. Le choix des agents de commerce est limité en Egypte et en Chine aux ressortissants des deux pays.

Art. 9. — Cet accord entrera en vigueur après l'accord des deux gouvernements et sera maintenu en vigueur pendant trois mois. Il pourra être prorogé ou modifié à la suite de négociations conclues entre les deux parties trois mois avant son expiration.

Liste "A": Exportations de la Chine à l'Egypte

La liste "A" des produits à exporter de Chine en Egypte comporte du fer et de l'acier en barres, lingots, etc.; la tôle et le fer de construction; des machines et du matériel d'équipement notamment des machines outils, des forges, des presses, des grues, malaxeurs de ciment, machines pour la construction des routes, des génératrices, des machines pour les travaux de mines, des machines textiles, des usines complètes pour la filature et le tissage du coton la fabrication du papier, le raffinage du sucre et la fabrication de la farine; des appareils de télécommunications; des matériaux de construction; articles sanitaires, bois, fer, asbeste-ciment, etc.; des produits chimiques bruts, tels que soude caustique, phénol; sulfate de cuivre, etc.; des articles divers tels que papiers, articles en email, thermos, machines à coudre, lainages, articles en cuir, appareillage électrique, etc.; des produits miniers tels que l'alun, l'antimoine, la poudre de talc, le gypse, etc.; des céréales, huiles et corps gras; des sous-produits animaux; des produits alimentaires; du thé; des produits tels que ramie, feuilles de tabac, cire, musc, porcelaine, etc.; de la soie et des soieries.

Liste "B": Exportations de l'Egypte à la Chine

La liste "B" des exportations d'Egypte en Chine comprend le coton faisant partie intégrante de l'accord brut et le superphosphate de chaux commercial.

Protocole additionnel

Un protocole en annexe à l'accord règle les transactions au cours de la première année de l'accord. En voici le texte :

Conformément aux dispositions de l'art. 1er de l'accord commercial conclu entre le gouvernement de la République d'Egypte et le gouvernement de la Chine Populaire en date de ce jour, dénommé ci-après "accord commercial", il a été convenu ce qui suit en ce qui concerne la première année de l'accord (dont la durée est de douze mois commençant à partir de la mise en vigueur de cet accord) :

Art. 1er. — Le gouvernement de la Chine Populaire s'engage formellement à acheter de l'Egypte du coton et d'autres marchandises figurant sur la liste "B" en annexe à l'accord commercial, pour une valeur totale de dix millions de livres sterling (L.St. 10.000.000). Les achats effectués en Chine par la République d'Egypte porteront sur des marchandises chinoises figurant sur la liste "A" en annexe à l'accord commercial et porteront sur les montants suivants :

a) deux millions de livres sterling (L.St. 2.000.000) affectés à des achats fermes;

b) huit millions de livres sterling (L.St. 8.000.000) qui feront l'objet de négociations ultérieures.

Le gouvernement de la République d'Egypte fera de son mieux pour développer le commerce entre les deux pays de manière à permettre un commerce équilibré.

Art. 2. — Les deux parties ont convenu que la position statistique des paiements entre les deux pays sera passée en revue tous les trois mois à dater de la mise en vigueur de l'accord commercial. Dans le cas où un déséquilibre de la position serait constaté, les deux parties entreraient immédiatement en négociation en vue d'établir un équilibre par les moyens suivants :

a) augmentation des importations du pays dont la position est favorable par rapport à l'autre pays;

b) livraison de produits par un pays tiers à l'autre partie contractante par l'intermédiaire du pays dont la position est déficitaire;

c) transfert d'un compte créditeur auprès d'un pays tiers pour compte du pays dont la position est déficitaire, sous réserve de l'accord de toutes les parties intéressées.

d) livraison d'exportations du pays dont la position est déficitaire à l'autre partie contractante, pour être vendues à un pays tiers, sous réserve de l'acceptation préalable du pays exportateur.

Art. 3. — En vue de faciliter l'examen de la position des paiements entre les deux pays, les autorités du contrôle des changes de chacune des parties contractantes tiendront des comptes-mémoires dans lesquels elles inscriront la totalité des paiements entre les deux pays. Les autorités précitées organiseront les détails de la tenue de ces comptes-mémoires.

Art. 4. — La qualité, le genre et le prix des marchandises devront être agréés par chacune des parties du contrat.

Art. 5. — Ce protocole entre en vigueur le jour de la mise en application de l'accord commercial conclu entre le Gouvernement de la République d'Egypte et le gouvernement de la République de la Chine Populaire.

Ce protocole reste en vigueur pour la durée d'une année et sera considéré pendant cette période comme faisant partie intégrante de l'accord commercial.

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1955

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FAR EASTERN DEPARTMENT
CHINA

FC 113/16/18

FROM P.O. Minute Mr. Browe.

The full text of the Sino-Egyptian Trade Agreement was published in Peking on October 24, therefore it has been possible to draw certain new proposals in addition to those by Mr. Browe on September 28.

No. /
Dated 1/11
Received in 28
Registry— 11

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SECRET

FC 11 316/18

SINO-EGYPTIAN TRADE AGREEMENTProblem

The full text of the Sino-Egyptian Trade Agreement with accompanying Schedules and Protocol was published in Peking on October 14 and is now available. In the light of these texts it is possible to draw certain new conclusions, in addition to those contained in my submission of September 28.

Discussion

2. The preamble to the Agreement states quite openly that it has been concluded inter alia "for the purpose of strengthening the friendship between the Governments and peoples of China and Egypt." There can be little doubt therefore that it was inspired by political as well as by economic motives.

3. The most important part of the Agreement appears to be Article 2 of the Protocol, sub-paragraphs (b), (c) and (d) of which authorise triangular import and export transactions between Egypt, China and any third country.

An unpublished exchange of letters completes these arrangements by allowing resale to third countries of commodities exported by either side to the other. It would not therefore be impossible, for example, for Egypt to pay for Czechoslovakian arms by credits derived from the sale of cotton to China. One could conceivably go further and argue that the sale of cotton to China was designed expressly to enable Egypt to buy Soviet bloc arms; but in the absence of any information suggesting that China has a large trading surplus with Czechoslovakia

/(which ..

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Flag B

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(which is inherently improbable) this would probably be going too far.

4. The need for such triangular deals is underlined by Article 1 of the Protocol which states that while China has contracted to buy £10 million worth of Egyptian cotton, Egypt has so far only contracted for £2 million worth of Chinese products (probably the 60,000 tons of constructional steel) and that the balance of £8 million remains for discussion. In spite of the fact that China is apparently willing to sell a wide variety of goods, it is by no means certain that this figure can be reached by Chinese exports alone.

5. Additional points of interest are:-

- (a) Article 1, which states that "both countries cherish the same desire of reaching a balance of imports and exports," and Article 2 of the Protocol which provides that the balance of payments position between the two countries is to be reviewed every three months.
- (b) Article 7 which provides that the two Governments agree to hold trade exhibitions in each other's countries. This is a favourite propaganda device of the Chinese to persuade Asian countries of their technical skill without obliging them actually to sell any of their products abroad.
- (c) Article 8 which limits commercial business agents to nationals either of China or of Egypt. It remains to be seen how this restriction will operate, in view of the provisions in the Protocol (Article 2) for the supply of goods from third countries.

/(d) ..

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- (d) The long list of capital goods which China is apparently prepared to offer to Egypt. The signing of such an agreement does not of course imply any contractual undertaking to provide the goods listed. From this point of view the publication of such a list should be considered more as Chinese propaganda than as a genuine indication of present ability to supply. It follows, however, that such propaganda will be greatly reinforced if any of those items do reach Egypt from or through China.

Conclusion

6.

- (i) Subject to the comments of Peking and Cairo Embassies, which have not yet been received, we may conclude that the Agreement substantiates our view that its signature goes a long way towards Egyptian recognition of Peking.
- (ii) We would go rather further than our previous conclusion in thinking that the long list of Chinese exports and the arrangements for triangular trade indicate that China is serious in her efforts to woo Egypt and the Arab States generally, and is pursuing a policy there which is fully co-ordinated with other members of the Soviet bloc.
- (iii) Finally the Egyptians appear to be happy to accumulate trading balances with the Sino-Soviet bloc.

7. African Department and Economic Relations Department agree with the above.

N. Allen

C. T. Crowe
(C.T. Crowe)
November 7, 1955.

China has, of course, for some years been making an
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effort to increase her trade exchanges with the "uncommitted" countries: e.g. her Rice/Rubber Agreements with Ceylon. This effort seems to have been intensified since the Bandung Conference: e.g. China's recent trade agreement with Burma. It has now been extended to North Africa: this agreement with Egypt.

I doubt whether the Chinese (or perhaps even the Russians) see the matter consciously in terms of playing a rôle in the "Middle East" as well as in the "Far East". It is probably for the Chinese all one single problem: to gain political influence, through the practice of what I believe is now called in Moscow "economic competition", ~~in~~ ^{China's} the "uncommitted" countries, whether in Asia or in Africa, i.e. broadly speaking the Bandung group; and at the same time to meet ~~her~~ ^{China's} own economic needs by obtaining supplies of essential materials without the necessity of having to pay in full by means of direct exports to the supplying country - thus overcoming to some extent her main handicap of shortage of surplus available for export outside the Soviet bloc.

Arrangements on the model of this Sino-Egyptian agreement look on the face of it as though they should serve reasonably well the political and economic interests of both China and the Soviet bloc. The agreement is a further example of the very close and effective working arrangement which in practice is maintained between the main Communist powers, despite possible points of friction.

W.D. Allen

W.D. Allen
November 11, 1955

Sir H. Caccia

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have*

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Have thought an Intel justified,
(without necessarily waiting for comment
from Peking or Cairo.)

Lord Reading

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Yes.

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FAR EASTERN DEPARTMENT

1955

CHINA

FC 11316/19FROM Commercial Secretary
British Embassy Cairo (P.d.)gives some details about Mr. Midhat El Far, the Egyptian
commercial councillor designate to China.

No. C.S. 123/18/18/55

Dated 24/11

Received in 28
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(Letter from Commercial Department Cairo to Embassy Peking)

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Mr. Nylor 29/11

A) Embassy Cairo to O'Neill Peking C.S. 123/18/19/55 of 24/11

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The ramifications of the Sino-Egyptian Trade
Agreement are unlikely to exercise any sobering
effect on Midhat El Far.

Mr. Nylor 1/12

Mr. Nylor 5/12

Mr. Nylor 3/12

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CONFIDENTIAL.

C.S. 123/18/18/55.

African Dept.,
Foreign Office,
LONDON, S.W.1.



F

WITH THE COMPLIMENTS
OF
THE COMMERCIAL SECRETARY.

BRITISH EMBASSY,
CAIRO.
November 24, 1955.

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C.S. 123/18/18/55.

BRITISH EMBASSY,

CAIRO.

November 24, 1955.

CONFIDENTIAL.

Dear Chancery,

X¹²
FC 17316/19

In our letter No. C.S. 125/18/14/55 of October 5, to African Department which was copied to you, we said that we would try to obtain more details about Mr. Midhat El Far, the Egyptian Commercial Counsellor designate to China.

2. We have now had an opportunity of meeting him. He was at first very elusive, because, as he has now told us, he did not wish to see us until his appointment had been officially confirmed.

3. He has informed us that he is probably flying to Peking at the beginning of December, and that he will have on his staff a Second Secretary and an archivist recruited from the Ministry of Foreign Affairs. There was a delay in the choice of the Second Secretary because the one originally chosen had a boy aged 10 years old and protested that it would be impossible to educate the child. Another Second Secretary has now been chosen who, although married, has very young children who do not present the same sort of problem.

4. Mr. Midhat El Far has been in the Egyptian Foreign Service since about 1938 and is probably about 41 years of age. He was Vice Consul at Liverpool and then appointed to the Egyptian Embassy in London during the war years. His other appointments since were to the Ministry of Foreign Affairs, to Kabul in 1945-46, to Stockholm for eight months only, and for the last three years Deputy Director of the Economic Affairs Department of the Ministry of Foreign Affairs.

5. He is at present a bachelor, though we believe that he is trying very hard to persuade his fiancée to accompany him to Peking. He is somewhat dismayed at the prospect of having to spend two years alone there. He visited China in August with Mr. Abou Nousseir, the Minister of Commerce, who led the Egyptian trade delegation. He seems to have no illusions about the kind of life he may have to lead, and is apprehensive lest he might not be able to import enough provisions, especially liquor, to keep him going. He seems proud of being a nationalist and of the fact that he advocated Egypt's neutrality during the last war. At the same time he speaks with genuine affection of the people he met in Britain then and seems to combine, as is not unusual, a kind of anti-imperialist attitude with pro-British sentiments and a liking for individual Englishmen. He speaks English fluently, but a trifle indistinctly.

6. We said that we would give him a letter of introduction to you, and Minford has given him a letter for him to present to Addis. The Ambassador has written to the Chargé d'Affaires separately.

7. We are sending a copy of this letter to African Department, Foreign Office and Commercial Relations and Exports Department, Board of Trade.

Yours ever,

COMMERCIAL DEPARTMENT.

The Chancery,
British Embassy,
PEKING.

LMM/LMB.

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C.S. 123/18/19/55

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FC 11316/19

WITH THE COMPLIMENTS

OF

HER BRITANNIC MAJESTY'S ^{AMBASSADOR.} ~~EMBASSY,~~

CAIRO

T. E. Bromley, Esq., C.M.G.,
African Department,
Foreign Office,
LONDON, S.W.1.

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cms Ref.:

THE NATIONAL ARCHIVES
FO 371 / 115093

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S. 123/18/19/55.

CONFIDENTIAL

BRITISH EMBASSY,

CAIRO.

November 24, 1955.

The Commercial Department have written to-day to the Chancery at Peking (with a copy to African Department) giving some details about Midhat El Far, the Egyptian Commercial Counsellor designate to China.

I should add that he is a heavy drinker, notorious for his constant presence at the bar of the Metropolitan Hotel where he has been staying for the last few months.

He paid me a short visit on November 19. His hands shook and he was wearing the darkest of dark glasses.

I am sending a copy of this letter to Tom Bronley.

G.D.W. O'Neill, Esq., C.M.G.,
H.M. Chargé d'Affaires,
British Embassy,
PEKING.

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of the Public Records Act, 1958

Fc 11316/20

Fc 11316/21

D. Dwyer

PRO DOCUMENT
PUT IN PLACE 25/3/85
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FAR EASTERN DEPARTMENT

FC 11316/20.**1955****CHINA** ~FROM Mr. J. H. Watson w/ten
to Mr. Browe

No. 1157/6/55

Dated 1/12

Received in 6/12
Registry—

States that Bob Amory of the C.I.A. has been given the gist of the preliminary comments by Far Eastern Department on the Sino-Egyptian Trade agreement. Mr. Watson encloses a copy of his reply.

References to former relevant papers

1/10
21

MINUTES

Copy J.I.B.
and resubmit.Conaghan
6/12.See Minutes on
FC 11316/21.

3/1

(Print)

(How disposed of)

Copied to J.I.B. 3/12

(Action
completed)

88

(Index)

19/2/57

References to later relevant papers

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AIR BAG
SECRET
1157/6/55



BRITISH EMBASSY,
WASHINGTON, D.C.

December 1, 1955.

FC 11316/20

My dear Crowe,

I gave Bob Amory of C.I.A. the gist of the preliminary comments of your Department on the Sino-Egyptian Trade Agreement (their letter to Peking Chancery No. FC 11316/10 of October 11).

2. I enclose a copy of his reply. His main point is agreement with the J.I.B.'s conclusion that China's ability to export steel is almost certainly a true reflection of temporary Chinese over-production in this field.

Yours ever

J.H.A. Watson

J.H.A. Watson

C.T. Crowe, Esq.,
Far Eastern Department,
Foreign Office,
London, S.W.1.

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EH 7-5923/A



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DEPUTY DIRECTOR (INTELLIGENCE)

NOV 25 1955

Mr. J.H.A. Watson
Counsellor, British Embassy
3100 Massachusetts Avenue
Washington, D.C.

Your letter of November 1 concerning the JIB ID No. 193 Note on the Sino-Egyptian trade agreement discussed the matter of the Chinese Communists exporting steel products in exchange for imports of consumption goods. This does not seem at all phenomenal to us, but merely indicates (a) a lack of balance in the relative degrees of progress made by the several industries which have been the focus of strenuous efforts to increase production, and (b) a lack of advance planning of the end-uses of the intermediate products of heavy industry. You will recall that last spring there was a spate of self-criticism by the Chinese Communists concerning the "blind enthusiasm for production" without corresponding consideration of the needs and markets for the products. Thus these chickens are now coming home to roost in the form of excess production of some items which for the time being are not needed in the economy in the volume in which they are being produced. Even though they may be produced at costs above world market prices, the Chinese Communists apparently feel that it is better to export them in exchange for consumption goods of which their supplies are short because of the effects of the 1954 floods on production of agricultural raw materials.

The fact that this has actually occurred is not so significant as would be the simultaneous importation by the Chinese Communists of the same items that they are exporting. We have not yet been able to examine carefully the specifications of Chinese imports to ascertain whether they are also importing the steel items that they have contracted to export to Egypt and Burma.

We do not believe that the Chinese are aiming to have a permanent steel surplus available for export although they may continue to export steel for some time until their expanding needs catch up with production. On the other hand, it is only natural that, while this

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SECRET

Mr. J.H.A. Watson, British Embassy, Wash., D.C.

situation exists, the Chinese should make political capital out of their ability to export steel resulting from the unbalanced rate of progress in production as compared with their own industrial requirements of steel.

Robert Amory, Jr.
Deputy Director/Intelligence

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FAR EASTERN DEPARTMENT

FC 11316/21CHINA **NIHO**

1955

FROM *blancey Peking*

9.0.757
 No. 11210/16/55
 Dated 14
 Received in 29
 Registry— 12

States that China has gained considerable political success by her Syrian + Egyptian trade agreements. Suggests that China may be aiming at a permanent surplus of steel for export. Also suggests it was a shortage of cotton in China which brought about the trade agreement.

(Copied to Cairo & W'lon)

References to former relevant papers

10

MINUTES*Copied to J.I.B.*

We have now received the comments of Cairo, Peking and the C.I.A. in Washington on our letter of October 11 to Peking on the subject of this Agreement (Flag A). Cairo's comments were not in any way significant; the C.I.A. (Flag B) endorsed the J.I.B. suggestion that the Chinese have developed a temporary surplus of steel due to production running ahead of consumption; and Peking while avoiding any definite conclusions are inclined to the view that the Agreement was primarily prompted by the Chinese need for cotton.

2. Since the signing of the Agreement on August 22 was announced, we have been inclined to stress the political implications while J.I.B. have concentrated more on the economic angle and their views are to a fair extent supported by the Peking Embassy. However on our Intel on the subject (copy attached) we did point out that an economic necessity for the Agreement existed and I think that nothing that Peking has said in any way invalidates the conclusions reached in this Intel.

3. Peking have rightly drawn attention to the difficulties in the way of disentangling the political and economic motive behind Chinese trade policy and the Sino-Egyptian Trade Agreement is a classic example of this. The most important feature of the Agreement is that irrespective of whether it was prompted by economic or political considerations it fits into the whole pattern of Sino-Soviet activity in the Middle East and has earned a place in the recent paper on the subject.

(Print)

(How disposed of)

699 J.I.B./2

(Action completed)

JS

(Index)

*hmv
19/2/57**African Dept.
to see.*

K. G. Ritchie
 (K. G. Ritchie)
 January 3, 1956.

References to later relevant papers

11316

The comments of Peking & the CIA are interesting. But I see no reason to modify /very

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Very seriously the estimate which we put
out in the Intel. We are all guessing, and
think our guesses are as good as any

M. Walker

4/1

I agree.

5/1

There was a report from secret sources

that the ~~actual~~ consignment of steel in question

was a job lot which had been hawked around
the Far East for some time.

13/1

17/1

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BRITISH EMBASSY,

PEKING.

December 14, 1955.

CONFIDENTIAL

No. S.O. 757

11210/16/55

FC 11316/21

Dear Department,

Thank you for your letter FC 11316/10 of October 11 about the Sino-Egyptian Trade Agreement.

2. We have reflected on the various points which you and J.I.B. make, but without reaching any clear cut conclusions. We doubt if we have enough evidence to disentangle the political and economic motives behind Chinese trade policy and say with any conviction which are the stronger. It is politically useful for China to cut a dash in the world, especially in Asia and the Near East, as a potential exporter of manufactured goods. Her display of manufactures at the Damascus Trade Fair had an obvious political motive. The agreement to set up an Egyptian (and now also a Syrian) trade office in China, and vice versa will if it materialises be a considerable political success for China. She is also able by exporting steel and industrial equipment to claim that she is conferring a benefit on less fortunate nations. For instance China is said by the magazine "China Reconstructs" to be about to "provide some contribution to help Egypt.....to start on the road to modern industrial development".

3. But we think that the Chinese were moved in great part, perhaps principally, by economic motives in making the Sino-Egyptian agreement. 60,000 tons of steel seems rather a large quantity to export unless it was economically necessary or desirable to do so; 20,000 tons would surely have been enough to make a political gesture. We rather doubt whether the economic motive was the desire to get rid of a surplus of steel. The economy campaign may conceivably have meant that certain types of steel are temporarily being produced in greater quantities than are immediately needed but one would expect the Chinese to stock rather than sell the surplus, especially if world prices are well below the Chinese internal price. It is theoretically possible that China is contemplating a situation in which she will eventually have to redress a shortage of food-stuffs, brought about by her rising population, by turning herself into an exporter of manufactured goods and importer of food. But there is no evidence in official pronouncements that her plans for increasing, say, steel production are yet based on this idea. The plan to increase steel production by 210% between 1952 and 1957 sounds immense when expressed in percentages, but the result in 1957 will be the production of only just over 4 million tons annually. A figure of this kind would not seem to leave much room for steel exports on a large scale in a country industrialising as rapidly as China. But we would not rule out the possibility that in future five year plans China may aim at a permanent surplus of steel for export.

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END



4. We suspect that it was the Chinese need for cotton which chiefly prompted this agreement. The 1953 and 1954 home crops were disappointing and this year's crop (estimated at 1.3 million tons) will only bring production back to the 1952 level. Manufacturing capacity and consumer demand have increased considerably since 1952. We know that factories in Shanghai have been working short time because there is not enough cotton. Possibly in this respect as in so many others Shanghai is a special case. It is certainly puzzling that there seems to be no shortage of cotton cloth in China; the shops are full and even villages seem well supplied, and consumers are now being allowed to take up their ration for as far ahead as next May. The authorities may be anxious to import cotton to keep the textile workers employed; or they may consider it politic to give the peasants an increased cloth supply to sweeten them through the difficult period when their grain sales are rigorously controlled and they are being shepherded into co-operatives. Probably there is some truth in both theories. But whatever the reason the Chinese do appear to be eagerly buying large amounts of cotton in several countries and to be prepared to pay for it with industrial goods which they might prefer to keep at home.

5. We are copying this letter to the Chanceries in Cairo and Washington.

Yours ever,

CHANCERY

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